BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

Developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources incorporating CETA	DOCKET UE-210804

COMMENTS OF PUBLIC COUNSEL ON STRAW PROPOSAL

January 18, 2023

TABLE OF CONTENTS

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

TABLE OF AUTHORITIES

State Statutes

State Regulations

UTC Cases

Other Sources

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

I. INTRODUCTION

1. On November 28, 2022, the Washington Utilities and Transportation Commission ("UTC" or "Commission") issued an initial Notice of Opportunity to Comment[1] (hereinafter "Notice") under Docket UE-210804, "Developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources incorporating CETA." This Notice follows the release of a "Straw Proposal"[2] on November 7, 2022.

2. The intent of the Straw Proposal is to cover the first three of five recommended steps for developing a jurisdiction-specific cost-benefit test for Distributed Energy Resources (DER) and Energy Efficiency (EE) as laid out in the National Standard Practice Manual (NSPM).[3] These five steps are:[4]

- Step 1. Articulate Applicable Policy Goals.
- Step 2. Include All Utility System Impacts.
- Step 3. Decide Which Non-Utility System Impacts to Include.
- Step 4. Ensure that Benefits and Costs are Properly Addressed.
- Step 5. Establish Comprehensive, Transparent Documentation.

3. The Straw Proposal only covers steps 1 through 3. However, Public Counsel notes that Step 3, deciding which non-utility system impacts to include, is not complete. What is included

[1] Amended on December 12, 2022, to provide additional time for comment per several parties' request.
[2] Courtney Lane & Tim Woolf, *Washington Cost-Effectiveness Test for Distributed Energy Resources: Straw Proposal for the Primary Test*," (2022) (hereinafter "Synapse Washington Test Straw Proposal") (prepared by Synapse Energy Economics for the Commission and filed in Docket UE-210804 on November 7, 2022).
[3] Nat'l Energy Screening Project (NESP), *National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources* (2020) (hereinafter "NSPM for DERs"), https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/08/NSPM-DERs_08-04-2020_Final.pdf.
[4] *See*, Synapse Washington Test Straw Proposal at 1–2; NSPM for DERs, at iv, Table S-2.

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

in the Straw Proposal may be seen as a compilation of ideas proposed by participants to this proceeding and consultants, but it has not been endorsed by participants as a final list of impacts.

4. Public Counsel appreciates the opportunity to file comments in this matter and has engaged the services of Dr. Ezra Hausman of Ezra Hausman Consulting to assist in our participation in this Docket. Dr. Hausman, who also assisted Public Counsel in preparation of earlier comments in this matter, is an expert in energy and environmental economics who has over two decades of experience with energy market issues, including market design and restructuring, planning, ratemaking, environmental regulation, and pricing.

II. GENERAL COMMENTS

5. As an initial matter, Public Counsel would like to comment on the context for this Straw Proposal. As noted in the Straw Proposal, the Clean Energy Transformation Act (CETA) includes new requirements that utilities must address in their resource planning processes. In addition, CETA sets forth a number of policy objectives that have been widely discussed in this process. It does not, however, mandate that all of these be incorporated in a Washington jurisdictional cost-benefit test; any such test is subject to the Commission's discretion.

6. In many jurisdictions, utilities and Commissions have relied on the five basic cost-benefit tests as defined in the California Standard Practice Manual[5] to evaluate cost-effectiveness from several different perspectives. These are the Total Resource Cost Test (TRC), the Participant

[5] California Public Utilities Commission (CPUC), *California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects*, (2001) (hereinafter "CaSPM"), https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/utilities_and_industries/energy_-_electricity_and_natural_gas/cpuc-standard-practice-manual.pdf.

Cost Test (PCT), the Utility Cost Test (UCT),[6] the Societal Cost Test (SCT),[7] and the Ratepayer Impact Measure (RIM).[8]

7. The five standard tests provide a broad overview of cost effectiveness and have proven useful and effective for many years in many jurisdictions. In Washington, utilities have relied on a "modified" TRC as a primary test, and the UCT as a secondary test, to evaluate energy efficiency resources.[9] The modified TRC includes a 10 percent adder to identified benefits to account for reduced risk associated with electric energy efficiency investments; however, the Commission notes that it is unaware of any jurisdiction or any established basis to apply the same 10 percent adder to gas conservation programs.[10] The primary shortcomings of both the TRC and the UCT are that (1) not all contributions of EE and DERs to the policy goals articulated in CETA are recognized in the tests; and (2) the tests are blind to distributional equity. In other words, they seek to measure overall costs and benefits, but are insensitive to which parties realize those costs and benefits.

8. Public Counsel's position is that retaining more than one cost-benefit test is useful and important in fully evaluating the cost-effectiveness of DERs from different perspectives. However, Public Counsel supports replacing the TRC test that utilities currently use with a version of the Societal Cost Test that that will more fully reflect the policy directives of CETA,

[6] This test is also commonly referred to as the Program Administrator Cost Test (PACT). For the purpose of these comments, Public Counsel refers to this test as the UCT.
[7] CaSPM at 4.
[8] The first four of these are briefly described in the Commission's Natural Gas Conservation Policy Statement filed in Docket UG-121207 on October 9, 2013 (hereinafter "Natural Gas Conservation Policy Statement").
[9] As noted in the Commission's November 4, 2021, "Notice of Opportunity to File Written Comments" in this matter, Washington's modified TRC test derives from the version of the TRC developed by the Northwest Power and Conservation Council prior to the release of the CaSPM.
[10] Natural Gas Conservation Policy Statement, ¶ 11 and n.9.

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

including the inclusion of the "Social Cost of Carbon" with a societal discount rate of 2.5 percent, as specified in RCW 80.28.405 and WAC 194-40-100.

9. Public Counsel appreciates the time and effort taken to discuss all relevant policies and priorities for Washington and incorporate different impacts into the cost-benefit test. Additionally, Public Counsel supports the harmonization of cost-benefit tests across the utilities to ensure they are all evaluating DERs in a consistent manner. Public Counsel, however, does not support moving to a single, overly complex cost-benefit test that attempts to combine numerous hard-to-quantify costs and benefits, along with more standard and monetizable impacts, into a single test. It has become increasingly clear through the discussions thus far that an overly complicated single test would be intractable for both utilities and interested parties. Public Counsel believes that this would tend to obfuscate, rather than illuminate, the detailed information the Commission requires to ensure that Washington's policy directives are adequately addressed. To Public Counsel's knowledge, no jurisdiction in the United States has ever developed and implemented a single cost-benefit test for DERs of this level of complexity and detail, and with good reason. The Commission should be wary of mandating any test so complex and impractical that it could ultimately serve to hinder the development of cost-effective and socially beneficial DERs in Washington.

10. In fact, the Commission and stakeholders should be mindful that cost effectiveness testing is inherently an inexact science, relying on uncertain forecast and performance inputs in all cases. This is especially so when we seek to incorporate important but non-monetizable values and policies in the process. While the Commission should seek to broadly enhance ratepayer welfare and promote Washington policies by reasonably representing the many

benefits and costs of DER in its tests, it should avoid the trap of seeking false precision at the cost of undue and unreasonable effort and expense. The inclusion of a 10 percent adder for risk reduction benefits of electric conservation measures previously used in the TRC is a good example of *reasonable* accommodation of a difficult-to-quantify benefit.

11. In addition to maintaining the use of secondary tests such as the UCT to evaluate DERs, Public Counsel supports the development of a separate "distributional equity evaluation framework," to be used in conjunction with the cost-benefit tests, that will assist the Commission and stakeholders in evaluating equity-related costs and benefits associated with DERs. The Commission has already committed to start this process. In its Final Order in Avista's most recent general rate case, it states, "the Commission should establish a broad, Commission-led collaborative process to establish methods and standards for distributional equity analysis and that Avista should be required to participate, as is the expectation for all Washington investor-owned utilities."[11] The Final Order in Puget Sound Energy's latest rate case made the same remarks.[12] Public Counsel appreciates the Commission's modifications to the two settlements in which these analyses were proposed;[13] simply requiring the various utilities to perform distributional equity analyses without such guidelines could result in inconsistent approaches and needless regulatory and market uncertainty. Additionally, a uniform method of incorporating the

[11] *Wash. Utils. & Transp. Comm'n v. Avista Corp. d/b/a Avista Utils.*, Dockets UE-220053 & UG-220054, Final Order 10/04, ¶ 78 (Dec. 12, 2022).
[12] *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy*, Dockets UE-220066 & UG-220067, Final Order 24/10, ¶ 236 (Dec. 22, 2022).
[13] The Commission's approval of the Settlement in Dockets UE-220053 and UG-220054 was conditioned on establishment of the Commission-led collaborative process noted above, in lieu of the process for analyzing distributional equity agreed to by the settling parties. *See* Dockets UE-220053 & UG-220054, Final Order 10/04, ¶ 78.

results of both the distributional equity analyses and the cost-benefit tests in resource selection processes will be required.

12. Other policy-driven analyses, such as projected employment and other environmental impacts,[14] can be evaluated as part of the resource and program selection processes, but these need not and should not be included in a general cost-benefit test. Similarly, Public Counsel sees value in using additional tools such as bill and rate impact analyses to evaluate resources and programs. These assessments would also be conducted separately from the cost-benefit test.

13. With these considerations in mind, Public Counsel offers the following responses to the Notice Questions.

III. RESPONSES TO NOTICE QUESTIONS

Question 1. ***Are changes to the current cost-effectiveness methods used by Washington investor-owned utilities and Commission standard practice necessary to ensure consistent evaluation of DERs? If yes, is a jurisdictional specific test necessary or is there another standard test that could be adopted that would appropriately evaluate DERs applying the Commission's policy goals?***

14. Public Counsel believes that changes are necessary to ensure consistency and to better reflect CETA and the Climate Commitment Act (CCA). However, these changes should be the minimum necessary to achieve these goals. The Commission should adopt a modified SCT for use by all Washington utilities in conjunction with the other standard cost-benefit tests. The Commission and stakeholders should avoid adding complexity and cost to the evaluation process that may be out of proportion to the associated benefits.

[14] "Other environmental impacts" refers to non-air quality impacts such as soil quality, biodiversity, and water quality.

15. In addition, the Commission can require information be provided outside of such a test that will help it evaluate programs in detail. For example, the economic/jobs benefits of proposed resources, and the impact on low-income communities, and non-monetized environmental impacts are important considerations that should be evaluated and reported by Washington utilities; however, these should not be included in a cost-benefit test. These types of benefits can be addressed in other ways. For example, they can be captured in Customer Benefit Indicators,[15] and/or included in the distributional equity analysis and evaluation framework as appropriate. As noted, above, the Commission should develop a uniform framework for evaluating these types of benefits alongside the more traditional, monetized, cost-benefit test to ensure the utilities are evaluating these benefits in a consistent manner.

Question 2. General feedback on electric utility system impacts and gas utility system impacts.

16. Public Counsel finds that the lists of "utility system impacts" provided in Tables 3 and 4 of the Straw Proposal are generally reasonable, although there does appear to be some redundancy in the identified impacts. For example, in Table 3, it is unclear what distinguishes "Financial Incentives" from "Distributed Generation Compensation Mechanism." The definitions of and distinctions among Risk, Reliability, and Resilience are also unclear, as is how each of these would be quantified. The lack of clarity can result in significant overlap and double counting of some costs and benefits. For example, depending on how "reliability" is defined, it

[15] WAC 480-100-640(4).

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

can have a significant conceptual overlap with "resilience" and "capacity," which can lead to double counting.

Question 3. The definition of the Environmental Compliance utility system impact used in the Straw Proposal is "compliance costs associated with environmental regulations; net of those already embedded in Energy Generation."

a. How should the environmental compliance impact be defined for Washington State?

b. Are there particular impacts under this category that need to be discussed in more detail?

c. For each utility, what Environmental Compliance impacts are embedded within other impact values and where are they accounted for?

17. Public Counsel believes that certain environmental compliance costs like land use permits, air quality permits, and indirect impacts of renewable portfolio standards are embedded in the cost of generating electricity, or in the capital costs of resource construction, and therefore do not require special treatment. The utilities have indicated that the cost of carbon allowances from the CCA will also be embedded in energy costs. However, Public Counsel advocates accounting for the inclusion of direct costs of purchases and sales of CCA allowances and CCA administrative costs that are not already included in the no cost allowances[16] for electric utilities under this impact category. It will also be important for natural gas utilities to account for CCA-related costs, assuming the WA-specific cost-benefit test is expanded to include gas utilities. Gas utilities will receive a declining amount of no cost CCA allowances over time, and they may have to purchase more CCA allowances to comply with the CCA.[17] This impact category is

[16] WAC 173-446-230.
[17] WAC 173-446-240(2).

distinct from additional environmental *impacts*, which may not be represented by compliance costs, and are addressed elsewhere in these comments.

Question 4. The definition of the Renewable Portfolio or Clean Energy Compliance utility system impact used in the Straw Proposal is "Compliance costs associated with meeting Washington State's clean energy standards."

a. How should the environmental compliance impact be defined for Washington State?

b. Are there particular impacts under this category that need to be discussed in more detail?

18. It is unclear if the incremental cost of complying with CETA and the Energy Independence Act (EIA) would be included under the definition of "Renewable Portfolio or Clean Energy Compliance" utility system impact by how this impact is defined on page 9 the Straw Proposal. However, capital and operating costs are usually already implicitly included in other impact categories such as energy generation, capacity, and distribution costs. Thus, it will be important to net out these costs if they are already included in other impact categories, or possibly to keep those costs out of this impact category entirely. Public Counsel believes that the cost of CETA and EIA penalties for not meeting statutory targets, purchase of renewable energy credits, and administrative costs are appropriate costs to include in this category.

19. Energy efficiency measures provide an additional benefit of reducing compliance costs because the electric utility's requirement to produce renewable energy or purchase credits is reduced. This specific, quantifiable utility system benefit should be included in any cost-benefit test using a utility or ratepayer perspective.

Question 5. General feedback on other fuel impacts.

20. "Other Fuel" impacts should be limited to the commodity cost for such fuels. Public Counsel believes that the other impacts identified in Table 5 are too small and uncertain to justify the significant additional complexity of trying to quantify such costs and benefits.

Question 6. What are the implications of including, or not including, other fuel impacts in a primary cost-effectiveness test?

21. Other fuel impacts should be included where appropriate. In some cases, such as converting fuel oil to gas heat, avoided "other fuel" costs may be a significant host-customer benefit.

Question 7. General feedback on host customer impacts.

22. Public Counsel finds that the list of impacts in Table 6 is far more complex than necessary, and that it includes several poorly defined and difficult-to-quantify impacts. These impacts, including those listed from "Asset Value" to "Satisfaction and Pride," could be described qualitatively but cannot realistically be included in detail within a cost-benefit test. Public Counsel could support an "adder" in a modified SCT (similar to the 10 percent risk reduction adder in the current "modified TRC") that recognizes measures that can be shown to improve the quality of life in these areas for low-income participants.

23. Further, "risk," "reliability," and "resilience" cannot reasonably be distinguished and quantified. They could be replaced by a single metric, also possibly implemented as an adder that represents avoided supply interruptions for the host customer.

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

24. Finally, any improvement to asset value does not represent an incremental "benefit" as this would derive directly from improvements in the other identified areas.

Question 8. Are there particular impacts under this category that need to be discussed in more detail?

25. More discussion is required for how low-income benefits can be identified and reasonably represented in a cost-benefit analysis.

Question 9. Low-income host customers experience the same categories of impacts, but often at a higher magnitude, as non-low-income host customers. Low-income customers are included as a separate category to allow non-energy impacts (NEIs) to be evaluated differently for these customers. Highly impacted communities and vulnerable populations (named communities) are likely to experience NEIs differently as well. Should named communities be included in this separate category? Or, should named communities be evaluated as a separate, third category?

26. It is not reasonable to assume that all named communities experience the impacts of non-energy impacts (NEIs) at the same magnitude as low-income customers. However, while Public Counsel conceptually understands the value of separating NEIs separately for highly impacted communities and vulnerable populations from low-income host customers, we are concerned about the feasibility of effectively doing so in a cost-benefit analysis. First, Public Counsel does not believe that this detailed level of targeted benefit identification is possible in a high-level, general cost-benefit test without significant specific research on the benefits for and impacts to highly impacted communities and vulnerable populations. This is further complicated because the definition of vulnerable populations is not uniform across the different utilities.

Second, it is unclear how much overlap exists between highly impacted communities, vulnerable populations, and customers that would be categorized as low-income host customers. Public Counsel recommends that, absent significant data collection, named communities should not be separated into its own category for cost-benefit analysis. The differential impacts for named communities should instead be captured as part of the distributional equity evaluation framework, which could be more focused on differences between communities and account for differential impacts and locational differences.

Question 10. General feedback on societal impacts.

27. Public Counsel believes that "Economic and Jobs" does not belong in a cost-benefit analysis, even if these impacts can and should be considered by utilities and the Commission in evaluating resource options because it can result in double counting, as noted in the NSPM.[18] To specifically address these impacts, they could be identified as Customer Benefit Indicators, which can be used to assess resources separately from the cost-benefit analysis. Public Counsel also recommends that Resilience and Energy Security be removed from consideration for a primary cost-benefit test, as these are poorly defined and difficult to quantify, and energy security impacts are closely related to the benefits of avoided fuel use and hedging.

[18] NSPM for DERs at 4-22.

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

Question 11. The definition of the GHG Emissions societal impact used in the Straw Proposal is "non-embedded GHG emissions. Should be incremental to values included in utility system impacts."

a. How should the GHG Emissions impact be defined for Washington State?

b. What impacts does the SCGHG include that should not be double counted elsewhere?

28. CETA requires that the SCGHG be used in evaluating resources regardless of the requirements of the CCA. As described by the U.S. Environmental Protection Agency (EPA), the SCGHG "is a measure, in dollars, of the long-term damage done by a ton of carbon dioxide (CO_2) emissions in a given year. This dollar figure also represents the value of damages avoided for a small emission reduction (i.e. the benefit of a CO_2 reduction)"[19] is designed to represent the estimated global economic damages associated with the emission of one ton of CO_2 into the atmosphere.[20] The social cost of carbon includes changes in net agricultural productivity, human health, property damages from increased flood risk, and the value of ecosystem services due to

[19] U.S. EPA, *EPA Fact Sheet: Social Cost of Carbon,* at 1 (2016), https://www.epa.gov/sites/default/files/2016-12/documents/social_cost_of_carbon_fact_sheet.pdf. EPA uses the term "SC-CO_2" which we believe to be interchangeable with the term "SCGHG" used in the Notice. The EPA's description includes important caveats:

> The SC-CO_2 is meant to be a comprehensive estimate of climate change damages and includes, among other things, changes in net agricultural productivity, human health, property damages from increased flood risk and changes in energy system costs, such as reduced costs for heating and increased costs for air conditioning. However, it does not currently include all important damages. The IPCC Fifth Assessment report observed that SC-CO_2 estimates omit various impacts that would likely increase damages. The models used to develop SC-CO_2 estimates do not currently include all of the important physical, ecological, and economic impacts of climate change recognized in the climate change literature because of a lack of precise information on the nature of damages and because the science incorporated into these models naturally lags behind the most recent research. Nonetheless, current estimates of the SC-CO_2 are a useful measure to assess the climate impacts of CO_2 emission changes.

[20] Kevin Rennert and Cora Kingdon, Social Cost of Carbon 101 (Resources for the Future, 2019, updated 2022), https://www.rff.org/publications/explainers/social-cost-carbon-101/.

climate change. This is different from an allowance cost under a cap-and-trade system such as the CCA, which represents the marginal abatement cost of a ton of carbon—i.e., how much it would cost the local energy system, on the margin, to generate the same amount of energy but emit one ton less of CO_2. The cost of allowances under the CCA, to the extent they are not already captured in embedded energy costs, can be considered as environmental compliance costs to help utilities meet state greenhouse gas limits separate from the SCGHG, which is mandated in resource planning, evaluation, and selection under CETA. CETA requires that the SCGHG be used in evaluating resources regardless of the requirements of the CCA. Thus the allowance cost and the SCGHG measure different things and their use is required under different laws, but they both represent a cost associated with greenhouse gas emissions.

29. Some impacts that the SCGHG includes that may be double counted in this cost-benefit analysis are the impacts of energy efficiency improvements, space cooling costs, and cardiovascular mortality risk. These impacts may already be included under energy and public health impact categories; however, since the SCGHG estimates provided by the interagency working group comes from a global perspective and consolidates the findings of three different integrated assessment models it would be difficult to net out the portion of the SCGHG that would be double-counted.

30. Public Counsel recommends that the definition of GHG emissions under societal impacts be clarified to represent monetized global damages from increase greenhouse gas emissions, such as property damage from increased flood risk, reduced value of ecosystem services, reduced human health, and changes in agricultural productivity, as captured by the SCGHG.

Question 12. The definition of the Other Environmental societal impact used in the Straw Proposal is "other air emissions, solid waste, land, water, and other environmental impacts."

a. How should the Other Environmental impact be defined for Washington State?

b. How should this be defined to ensure there is no overlap with other impacts, especially the Public Health societal impact or the Environmental Compliance utility system impact?

31. "Other Environmental Impacts" includes impacts that are that are (a) not internalized in utility costs, and (b) not quantified in some other way, such as the SCGHG. We recommend removing "other air emissions" from the definition as it may result in double counting with the public health impact category. "Other environmental impacts" can also refer to impacts beyond public health, for example in damage to wilderness, fisheries, and visibility. These can be quite difficult to quantify and are not generally included in cost-benefit tests. Instead, the Commission could require an analysis and description of such environmental impacts, separate from the cost-benefit analysis, be included with resource proposals as appropriate.

Question 13. The definition of the Public Health societal impact used in the Straw Proposal is "health impacts, medical costs, and productivity affected by health."

a. How should Public Health impact be defined for Washington State?

b. How should this be defined to ensure there is no overlap with other impacts, especially with the any host customer impacts or the Other Environmental societal system impact?

32. Public Counsel believes that this definition may need to be adjusted depending on the sources that are used to measure this impact. There is extensive literature on quantification of public health impacts that could be relied upon by the Commission in this area. For instance, the

Avoided Emissions and Generation Tool (AVERT) and Co-Benefits Risk Assessment (COBRA) Health Impacts Screening are tools developed by the Environmental Protection Agency often used to help state and local governments explore how changes in air pollution from clean energy policies and programs can affect human health. If these are primary sources utilized for measuring the public health societal impact, then the definition should specify that the human health impacts in this area are limited to those due to airborne pollutants.

33. The Washington Health Disparities Map describes "environmental exposures" as airborne pollutants that could lead to poor health outcomes,[21] but the tool also measures other metrics that could affect human health and categorizes it under "environmental effects." The definitions provided in the Straw Proposal are currently unclear as to the scope of "public health" impacts versus "other environmental" impacts. Currently, the description of "other environmental" health impacts includes "other air emissions" and the description of "public health" impacts has no mention of airborne pollutants or emissions.[22] The definitions of "public health" and "other environmental" impacts should be more specific in order to prevent double-counting of benefits.

[21] Univ. of Wash. Dep't of Env't & Occupational Health Sci. and Wash. State Dep't of Health, *Washington Environmental Health Disparities Map: Cumulative Impacts of Environmental Health Risk Factors Across Communities of Washington State: Technical Report Version 2.0* at 46 (2022), https://deohs.washington.edu/sites/default/files/2022-08/311-011-EHD-Map-Tech-Report.pdf.

[22] Synapse Washington Test Straw Proposal at 12.

Question 14. The definition of the Energy Security societal impact used in the Straw Proposal is "Reduction in imports of various forms of energy to help inform the goals of energy independence and security."

a. How should the Energy Security impact be defined for Washington State?

b. How should this be defined to ensure there is no overlap with other impacts, especially with Reliability and Risk utility system impacts?

34. Public Counsel believes that Energy Security should not be included in the cost-benefit analysis.

Risk, Reliability, and Resilience – Questions 15-18

Three impacts that Staff anticipates will require additional workshops to discuss appropriate definitions and applicability are Risk, Reliability, and Resilience. For each impact, please review the multiple definitions provided and answer the following questions:

Question 15. What definition captures the appropriate utility system impact? If not identified in the Straw Proposal, please provide any available references to how this definition has been used by a utility.

Question 16. What definition captures the appropriate host customer impact? If not identified in the Straw Proposal, please provide any available references to how this definition has been used by a utility.

Question 17. What definition captures the appropriate societal impact? If not identified in the Straw Proposal, please provide any available references to how this definition has been used by a utility.

Question 18. Are there any questions or concerns that should be discussed in a workshop?

35. Public Counsel agrees that these topics require additional discussion. The current definitions of Risk, Reliability, and Resilience included in the Straw Proposal are unclear and may result in significant overlap. Public Counsel is also not convinced that these are truly

distinct benefits that can be individually quantified, nor that they are fully distinct from other impacts, such as electric generating capacity. However, Public Counsel is open to discussing how we may account for some of these impacts. Public Counsel further believes that the Washington process would benefit from examples of how other jurisdictions have quantified these benefits and/or incorporated them into cost-benefit analysis of DERs.

Question 19. General feedback on the Straw Proposal Section 3: Application of the WA Test and Appendix 3.

36. Public Counsel sees significant value in establishing a uniform list of impacts and ensuring that all utilities are using the same list of impacts to evaluate DERs. Public Counsel does not agree, however, that "the list of impacts covered in Section II should always be included in any application of the WA Test."[23] To the contrary, this list has yet to be vetted and culled to a manageable and applicable list of impacts for DERs in Washington and significant concerns, discussed above and in workshops, still exist regarding lack of clarity and potential overlap and double-counting with some of the listed impacts.

37. Further, the "Example" in Appendix 3 is not in fact an example, because it does not include any quantification of the impacts listed. Public Counsel believes that the process as laid out in the Straw Proposal would be unduly cumbersome to the point of impracticality were it to be applied without significant simplifications. To Public Counsel's knowledge, and that of its consultant, there is no jurisdiction that has ever implemented a test based on the NSPM that even remotely approaches the complexity of the Straw Proposal. While the work that has been done in

[23] Synapse Washington Test Straw Proposal at 16.

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

this process has been illuminating and useful in reviewing Washington's policy priorities and what considerations should affect evaluation of DERs, we remain very far from a practical, implementable cost-benefit test.

Question 20. After incorporating these comments and discussion from workshops 4 and 5, Staff anticipates being able to recommend utilities keep the status quo concerning cost-effectiveness of DERs, move to another standard test, or move to a WA Test. If Staff recommends utilities change current practice, should the recommendation be formal or informal? Is there a preferred time frame for a formal recommendation?

38. Public Counsel recommends that all utilities be directed to follow a standard, Commission-approved practice for cost-benefit analysis in a formal order. The Commission should ensure that the recommended test is practical and implementable, and that it reasonably reflects Washington's policy priorities without requiring an unrealistic level of detail in quantifying impacts. Public Counsel does not have a preferred time frame for a formal recommendation though we urge the Commission not to rush to an order if significant questions and concerns regarding the proposed list of impacts have not yet been addressed. In its current state, the list of impacts is too vague and unrefined; mandating its use would only lead to further confusion and inconsistencies.

39. Public Counsel also recommends that the order also require all utilities to participate in the broad, Commission-led collaborative process discussed in the Avista and Puget Sound Energy general rate case orders to establish methods and standards for analyzing distributional equity. The order in this proceeding, however, should expand beyond the distributional equity analysis to acknowledge that additional work must be conducted to ensure all utilities evaluate

distributional equity impacts using a consistent approach and use a consistent framework to apply distributional equity analysis to resource selection along with the cost-benefit test developed in this proceeding.

40. Finally, Public Counsel recommends that the Commission provide guidance to utilities to ensure consistent evaluation of locational benefits for DERs and non-wire alternatives. California, Hawaii, and New York require utilities to solicit requests for proposals for DERs to meet certain types of distribution system needs identified in distribution system planning processes, and these commissions have provided guidance on methods to determine locational value.[24] California, New York, and Nevada utilities are required to provide hosting capacity maps for DERs and to use locational net benefit analysis tools that estimate the area-and-time-specific value of marginal avoided distribution costs.[25] It is unclear if DER cost-benefit analysis as outlined in the Straw Proposal aims to assess the locational value of DERs, and if so, how it will do so. This will be an important discussion to have as our state deploys more DERs. While this issue may be premature to address directly at this stage of the proceeding, Public Counsel urges the Commission to at least acknowledge that these discussions should occur as the next step in establishing a uniform method of evaluating DERs.

[24] Natalie Mims Frick et al., *Locational Value of Distributed Energy Resources,* Executive Summary at x (Lawrence Berkeley Nat'l Lab'y, 2021), https://emp.lbl.gov/publications/locational-value-distributed-energy.
[25] *Id.* at 32.

Phase 2

Question 21. Please describe the ideal process for Phase 2. What mix of comments and workshops makes the most sense? Would a standing monthly workshop be preferred or does scheduling workshops as needed make more sense? Should the practice of holding workshops to two-hours be preserved or are there topics that should be given additional time?

41. As noted throughout these comments, Public Counsel does not believe that the appropriate set of non-utility, or even utility, system impacts has yet been established in this process. It is difficult to address how these impacts should be calculated until the final list is set.

42. In general, Public Counsel believes that far more detailed guidance, including examples from other jurisdictions, will be required if Washington is to incorporate costs and benefits that go beyond those conventionally included in the standard cost-benefit tests. With the exception of applying the social cost of carbon, no such guidance has been provided thus far.

43. Staff states its intention to rely on the "Methods, Tools and Resources" document provided as a companion to the NSPM. Public Counsel finds that, while voluminous, this guide remains vague and does not provide prescriptive guidance on how the wide range of impacts considered can be quantified. Unless Staff or its consultant can provide more concrete examples to work from, Public Counsel is skeptical that this approach can be applied through a series of stakeholder teleconferences and occasional written comments—if at all. Instead, Staff should focus on proposing minor adjustments to the Societal Cost Test that will reflect the mandates in CETA and the CCA, and propose a consistent test for all Washington utilities to apply. If this simpler approach is taken, Public Counsel believes that a workable and effective test can be developed in reasonable time, and with only a few additional workshops. Additional workshops

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

may be needed to establish a Washington jurisdictional distributional equity evaluation framework.

Question 22. Staff will review previous comments in this docket to identify important topics for workshops. Are there topics that should be addressed that have not been brought up previously? What topics that have been brought up be given the highest priority?

44. At the current stage of the process, Staff should focus on whether the complexity and structure of a test as proposed in the Straw Proposal is a good fit for Washington's energy future. Staff may well receive extensive feedback in this area in response to the current Notice, and should consider convening a stakeholder conference to address this question. Staff and other stakeholders should have an opportunity to determine whether continued development of such a test is a worthwhile use of our limited time and attention prior to digging into the details of how all of the proposed impacts can be quantified.

45. For this purpose, Staff's consultants should be asked to provide concrete examples for stakeholder review of how this process has been successfully implemented in other jurisdictions.

Question 23. On page 21 of the Straw Proposal, Synapse proposes next steps to begin Phase 2 of this investigation. Please provide feedback on this proposal.

46. Public Counsel agrees that it is difficult to interpret the utility responses as compiled in Appendix 2 to the Straw Proposal. This likely reflects the vagueness of the definitions of many of the impacts, more than uncertainty about current practices. Further, as noted in response to Question 22, Public Counsel believes that the best next step is to take time to evaluate whether

ATTORNEY GENERAL OF WASHINGTON
PUBLIC COUNSEL
800 5TH AVE., SUITE 2000
SEATTLE, WA 98104-3188
(206) 464-7744

this process is leading in a productive direction, or whether a much simpler and easier to implement approach is required.

IV. CONCLUSION

47. Public Counsel appreciates the opportunity to provide these comments and looks forward to reviewing comments from other stakeholders. If you have any questions about these comments, please contact Shay Bauman at Shay.Bauman@ATG.WA.GOV, Aaron Tam at Aaron.Tam@ATG.WA.GOV or Nina Suetake at Nina.Suetake@ATG.WA.GOV.

DATED this 18th day of January, 2023.

ROBERT W. FERGUSON
Attorney General

/s/
NINA SUETAKE, WSBA No. 53574
Assistant Attorney General
Public Counsel Unit
800 Fifth Avenue, Suite 2000
Seattle, WA 98104
Nina.Suetake@ATG.WA.GOV