



**NW Energy Coalition**  
for a clean and affordable energy future

January 18, 2023

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Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
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1/18/2023

State of WASH.  
UTIL. AND TRANSP.  
COMMISSION

*Re: Docket UE-210804, Comments on Behalf of the NW Energy Coalition*

Ms. Maxwell:

We appreciate the opportunity to provide comments that will further the ongoing development of a jurisdiction-specific cost-effectiveness test for DERs. The NW Energy Coalition (NWECC) is a public interest organization that works across the Pacific Northwest and is focused on ensuring clean, affordable, and accessible energy for all customers. Our staff and members have participated in this docket since its creation in November 2021, and we look forward to continuing our involvement.

Please find our answers to the questions provided in the November 28, 2022 Notice of Opportunity to Comment below:

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- 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?**

Yes, changes to the current cost-effectiveness methods used by Washington IOUs and the UTC standard practice are needed to ensure a consistent evaluation of DERs. Current methods do not consider non-energy impacts, such as public health, the environment, and benefits to named communities, in decision making of DER portfolio selections.

A jurisdiction-specific test is the best option to appropriately evaluate DERs because unlike the utility cost test, total resource cost test, and societal cost test, a jurisdiction-specific test

answers not only the question of how to reduce costs for utilities, host customers, and society, it also is designed to achieve applicable policy goals. Washington State's recent suite of clean energy legislation, namely the Clean Energy Transformation Act (CETA) and the Climate Commitment Act (CCA), will change utility resource decisions. Only a jurisdiction-specific test would factor policy goals that these laws establish into the reduction of costs.

Utility System Impacts – Table 3 and 4 in the straw proposal

**2) General feedback on electric utility system impacts and gas utility system impacts.**

None at this time. We believe the electric utility system and gas utility system impacts proposed in Tables 3 and 4 are appropriate to track.

**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?**

This definition seems sufficient for Washington State. It may be helpful to include a parenthetical example within the definition to make it clearer what compliance costs could be factored in versus what is “embedded in generation”. The description for “environmental compliance” on page 8 should include what compliance costs are (or commonly are) embedded in generation after utilities respond to part c) of this question.

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

Yes. If CCA impacts are not yet considered in either “environmental compliance” utility system impacts or “renewable portfolio or clean energy compliance” utility system impacts, we recommend further discussion to determine means for incorporating CCA impacts.

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

This question requires further investigation, and potentially guidance from the Commission.

**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?**

This definition makes sense. However, “Washington state’s clean energy standards” should be defined in the description of this impact at the top of page 9 of the straw proposal. Currently, the unwritten definition of Washington’s clean energy standards alludes to the NSPM, which states that clean energy standards included within this impact focus more generally on zero-emissions resources.

With this definition in mind, we assume that “Renewable Portfolio Standard or Clean Energy Standard Compliance” are the compliance costs associated with Washington’s clean energy standards set in the Energy Independence Act (EIA) and CETA.

However, utilities’ answers to question 3(c) above may indicate whether they embed compliance costs incurred from the CCA into energy generation. If CCA costs are not embedded into energy generation, they should be incorporated in this test or a secondary test. Additional review may be necessary to avoid double counting.

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

As noted above, if CCA impacts are not yet included, we recommend further discussion to determine means for incorporating CCA impacts.

**c) For each utility, what Renewable Portfolio or Clean Energy Compliance impacts are embedded within other impact values and where are they accounted for?**

N/A

*Non-utility System Impacts*

**Other Fuels** – Table 5 in the straw proposal

**5) General feedback on other fuel impacts.**

We agree with the impacts listed in Table 5.

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

As stated in the NSPM, “some electric EE resources will reduce fuel consumption resulting in other fuel benefits, while others will increase other fuel consumption resulting in other fuel costs.” (p. 6-1)

It is important to include the other fuel impacts because Washington state has identified the need to electrify buildings and transportation<sup>1</sup> to meet our statutory greenhouse gas emission reduction requirements.<sup>2</sup> These goals will impact the use of other fuels such as oil, propane, and natural gas. These transitions from one fuel to another will be in effect as the relevance and consideration of DERs grow and will likely be one cause for growth of DERs. Because of this simultaneous relationship, other fuel impacts should be included in the primary cost-effectiveness test.

**Host Customer Impacts** – Table 6 in the straw proposal

**7) General feedback on host customer impacts.**

The impacts and NEIs listed in Table 6 look complete. However, listing “Low-income NEIs” as a “Host Customer NEI” is a bit confusing. Staff from the Public Counsel Unit raised this concern at the November 9<sup>th</sup> virtual workshop and NWECC agrees. The additional narrative below Table 6 clearly clarifies what low-income NEIs are, but the current visualization is confusing. A separate table for low-income NEIs that maps to Table 6 would better show this relationship.

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

None at this time. We believe the host customers impacts proposed in Table 6 are appropriate to track.

**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?**

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<sup>1</sup> Washington State Department of Commerce. (2020). *Washington 2021 State Energy Strategy*. <https://www.commerce.wa.gov/wp-content/uploads/2020/12/Washington-2021-State-Energy-Strategy-December-2020.pdf>

<sup>2</sup> RCW 43.392.020 establishes a target for passenger and light duty vehicles of model year 2030 or later that are sold, purchased, or registered in Washington state to be electric vehicles. The Department of Ecology has adopted Advanced Clean Cars II and Advanced Clean Trucks, requiring automakers to increasing sell light-, medium-, and heavy-duty zero emission vehicles in Washington.

Named communities should be evaluated as a separate, third category. By definition, vulnerable populations and highly impacted communities experience differing impacts of the energy system due to more factors than their income alone.

- Vulnerable populations are communities that experience a disproportionate cumulative risk from environmental burdens due to socioeconomic and biological factors that are identified by utilities in conjunction with public input.<sup>3</sup>
- Highly impacted communities are geographic communities, impacted by fossil fuels and climate change<sup>4</sup>

While income status may correlate with the defining characteristics of vulnerable populations and highly impacted communities, named communities also experience benefits and burdens outside of their income status given their community characteristics.

A potentially more effective way to evaluate and include the impacts that low-income communities and named communities experience could be exploring a distributional equity analysis (DEA) because DEAs capture locational differences that a traditional cost-benefit test does not. This could be a component of a secondary test.

**Societal Impacts** – Table 7 in the straw proposal

**10) General feedback on societal impacts.**

None at this time. We believe the societal impacts proposed in Table 7 are appropriate to track.

**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?**

We have no comments on this proposed definition.

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

State law requires that the SCGHG be used for planning and acquisition purposes. For the purpose of determining cost-effectiveness, we recommend that this process review the impacts of using both (1) SCGHG, and separately, (2) CCA allowance price index; and

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<sup>3</sup> <https://www.commerce.wa.gov/growing-the-economy/energy/ceta-overview/>

<sup>4</sup> <https://www.commerce.wa.gov/growing-the-economy/energy/ceta-overview/>

comparing the results so that stakeholders can understand the impacts before determining how to ensure that impacts are not double-counted. Our expectation is that the SCGHG results in more DERs becoming cost-effective, but if the incentive levels for independent measures are not also set using that value, this could result in a mismatch between targets and program portfolios and actual deployment of measures.

**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?**

While this seems like an inclusive list of other environmental impacts, “other air emissions” should be further defined. We assume this means air emissions not associated with electric generation. Could this definition include emissions from transportation or manufacturing of DERs, and end-of-life treatment of DERs?

**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?**

The proposal should include language that states that these “other environmental impacts” are attributed to any impact that threatens the intrinsic value of the environment. For example, emissions from wildfire due to climate change can be considered “other air emissions” and should be considered a cost due to the harm to the environment and re-enforcing climate change impacts. However, the public health impacts from wildfire smoke should not be considered here.

**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?**

This definition should specify “physical and mental health impacts” instead of just “health impacts”. This change would better capture impacts such as asthma attacks and other respiratory system problem, as well as the spiritual, cultural, and intrinsic values that individuals and communities within society place on the environment.

**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?**

A way to do this could be to define this societal impact as “physical and mental health impacts, medical costs, and productivity affected by health *due to the direct energy generation/consumption outputs such as air emissions, solid waste, and water pollution.*”

**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?**

We have no comments on this proposed definition, and we agree with the straw proposal that “this may need further discussion by interested persons to inform how Washington defines ‘security.’” (page 14)

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

There certainly is overlap between energy security, risk, and reliability. However, we think that this definition, which is focused on imports, doesn’t overlap with the definitions for risk and reliability. Other components of energy security, such as cybersecurity and uninterrupted service, are captured separately in the utility system and host customer definitions of risk and reliability.

**Risk, Reliability, and Resilience** – pages 15 through 16 of the straw proposal

**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:**

**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.**

The current definition makes sense. NWECC looks forward to any additional workshops to further discuss the definitions of risk, reliability, and resilience for the utility system.

**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.**

The current definition makes sense. NWECC looks forward to any additional workshops to further discuss the definitions of risk, reliability, and resilience for host customers.

**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.**

The current definition makes sense. NWECC looks forward to any additional workshops to further discuss the definition of resilience for society.

**18) Are there any questions or concerns that should be discussed in a workshop?**

A potential concern we have is possibility of excluding resilience as a societal and system impact due to it being challenging to define and to quantify. We look forward to further discussing resilience in future workgroup discussions and looking at potential proxy values.

One resource we offer is a recent PNNL study, *Considerations for Resilience Guidelines for Clean Energy Plans*. This paper offers approaches that can help identify “the impacts of different resilience measures in mitigating threats, the relative benefit and cost efficiency of different potential investments”, among others.<sup>5</sup> Figure 16 and Table 12 attempt to quantify some of the resilience benefits, and primarily cite two papers:

- Zamuda, et al. *Monetization methods for evaluating investments in electricity system resilience to extreme weather and climate change*. (2019). <https://www.sciencedirect.com/science/article/abs/pii/S104061901930185X>
- Silverstein, et al. *A Customer-focused Framework for Electric System Resilience*. (2018). <https://gridprogress.files.wordpress.com/2018/05/customer-focused-resilience-final-050118.pdf>

*Application and Adoption of the WA test*

**19) General feedback on the straw proposal Section 3: Application of the WA Test and Appendix**

Why is everything except for “EE” under the “utility performances incentives” impact in Table 8 considered to be not applicable? PSE has a proposed demand response performance incentive that was approved by the Commission in its recent general rate case order (UE-220066). Additionally, distributed generation, distributed storage, and EVs could be tied to performance incentives in the future.

Why is “DR” under the “credit and collection costs” impact in Table 8 considered to be not applicable? DR programs can reduce energy burden of customers, which can ultimately eliminate the need for a utility to undergo credit and collection processes.

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<sup>5</sup> Pacific Northwest National Laboratory. *Considerations for Resilience Guidelines for Clean Energy Plans*. (2022). <https://edocs.puc.state.or.us/efdocs/HAH/um2225hah113046.pdf>



**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?**

Staff's recommendation should be formal and should be able to inform the next round of IRPs and CEIPs at a minimum.

### Phase 2

During the past year, Staff has worked with interested parties, through the NSPM framework, to determine *which* DER costs and benefits to include in a potential WA Test. In 2023, Staff intends to continue a second phase of this process to determine *how* to calculate the values of costs and benefits using the Methods, Tools & Resources Handbook that is a companion document to the NSPM.

**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?**

Yes, a mix of comments and workshops makes sense. A standing monthly workshop is preferred, but we are open to scheduling as needed. Two-hour workshops work well for these discussions and should be continued in Phase 2. Some topics, such as which values should be measured quantitatively, qualitatively, or with a proxy may take more time. Additionally, further detailing public health impacts may take more time.

We recommend the following ideas for workshops in Phase 2:

- Synapse leads an illustrative application of the November 7, 2022 straw proposal to a utility program.
- Synapse leads an illustrative application of quantitative, qualitative, and proxy values identified to compare multiple DER portfolios.

**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?**

A high-priority topic that we discussed in previous comments was determining when to assign a quantitative value versus a qualitative value versus a proxy value transferred from another jurisdiction for various DER impacts.

A 2020 study from Lawrence Berkeley National Laboratory (Sutter et al., 2020) "reviewed studies quantifying non-energy impacts used in 30 states and applied a five-point system to

indicate transferability of a value or method from each study for 16 categories of non-energy impacts”<sup>6</sup>, including many of the specific utility and non-utility impacts being discussed in this docket. This study, and the many it references, could be helpful in future discussions we have on whether and how to quantify impacts.

An additional topic that should be further discussed is the value of building electrification. Providing guidance for how to best value building electrification could better incentivize programs that promote fuel switching (i.e., from both gas to electric and delivered fuels to electric). Electrification is listed and described as a DER in Chapter 10 of the National Standard Practice Manual and we continue to believe that it should be discussed as part of Washington’s conversation as the topic becomes timelier. For example, in Puget Sound Energy’s recent rate case order, a targeted electrification pilot was approved; the Company may need some guidance on how to account for the savings associated with such a program.

A final key topic that has been missing from the conversation is the distributed locational benefits that DERs provide. While the straw proposal includes low-income NEIs and these comments address named community NEIs, stakeholders should also discuss whether the jurisdiction-specific DER cost-effectiveness test is the appropriate place to incorporate locational benefits of DERs, and if so, how this can be accomplished.

**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.**

NWEC agrees with the Synapse’s proposed next steps to being Phase 2: (1) confirming current utility practices surrounding impacts and identifying remaining discrepancies, and (2) prioritizing currently excluded impacts based on their potential impact on cost-effectiveness results and their difficulty to monetize.

As currently excluded impacts are prioritized, we encourage the use of quantitative and proxy impact values above qualitative values wherever possible.

Thank you for the opportunity to comment.

/s/

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NW Energy Coalition

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<sup>6</sup> Mary Sutter et al. *Applying Non-Energy Impacts from Other Jurisdictions in Cost-Benefit Analyses of Energy Efficiency Programs: Resources for States for Utility-Customer Funded Programs*. Lawrence Berkeley National Laboratory. (2020). <https://emp.lbl.gov/publications/applying-non-energy-impacts-other>