



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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December 24, 2024

NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By Tuesday, January 14, 2025)

NOTICE OF VIRTUAL TECHNICAL CONFERENCE #3
(Thursday January 9, 2025, at 8 a.m.)

Re: Rulemaking required to implement ESHB 1589,
Docket U-240281

TO ALL INTERESTED PERSONS:

On May 10, 2024, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to engage in a Commission rulemaking required to implement ESHB 1589 (Chapter 351, Laws of 2024). The Commission filed the CR-101 under Docket U-240281.

The state legislature enacted ESHB 1589, and directed the Commission to adopt rules by July 1, 2025, to implement consolidated planning requirements for large combination utilities that allow for integrated system plans (ISP) that may satisfy requirements for existing statutorily required plans. Puget Sound Energy (PSE, or Company) is the only utility in Washington that meets the requirements as a large combination utility. ESHB 1589 left flexibility in the timeline for the Commission to extend the due date of the rulemaking by 90 days for good cause shown. The legislature also directed the Commission to adopt by rule a cost test for emissions reduction measures achieved by large combination utilities to comply with state clean energy and climate policies.

On December 13, 2024, the Commission issued a notice to inform parties that the rulemaking timeline will be extended 90 days with a new required completion date of September 27, 2025. The 90-day extension also corresponds with a 90-day extension for the due date of the Company's first ISP. The first ISP due date has been moved from January 1, 2027, to April 1, 2027.

Together with this Notice, the Commission is providing for review and comment draft rules addressing the cost test for emissions reductions measures. The Commission requests comments from interested persons on this draft cost test language by January 14, 2025, as well as the questions posed below in this Notice.

The new timeline of upcoming events for the rulemaking is detailed in Table 1, below.

Table 1: Updated rulemaking timeline for U-240281

January 9, 2025	Cost Test Technical Conference #3
January 14, 2025	Cost Test Notice for public comment deadline. Comments due on draft Cost Test rules for Commission review.
January 20, 2025, through February 20, 2025	ISP Rules Notice and comment period on the second public draft of ISP Rules.
Early Q2 2025	Informal draft rules (ISP & Cost Test) released for public comment.
June 2025	CR-102 and ISP & Cost Test rules filed, including Notice for public comment and formal comment period.
End of July 2025	Adoption Hearing
September 29, 2025	Extended Statutory Deadline

The CR-101, as filed with the Code Reviser, is available for inspection on the Commission's website at <https://www.utc.wa.gov/casedocket/2024/240281/docsets>. If you are unable to access the Commission's web page and would like an electronic copy of the CR-101 emailed to you, please contact the Records Center at (360) 664-1234.

QUESTIONS FOR CONSIDERATION

The Commission seeks comment on the draft cost test rule language. The questions for consideration relate to implementation of the *proposed* cost test. Please provide answers to the following eight questions, and any other feedback regarding the cost test rules, prior to the **January 9, 2025, technical conference** for broad discussion, or by **January 14, 2025**.

1. RCW 80.86.020(9) requires the cost test be used by large combination utilities "for the purpose of determining the lowest reasonable cost of decarbonization and low-income electrification measures in integrated system plans, at the portfolio level, and for any other purpose determined by the commission by rule." Staff proposes the cost test also be

- used in aiding the Commission's evaluation that an ISP is in the public interest, as required by RCW 80.86.020(11). Is this an appropriate use of the cost test?
2. The statute specifically requires the cost test be used for emissions reduction measures but allows it to be used for other purposes determined by rule. Staff proposes the cost test be used for all resources. This follows the [National Standard Practice Manual For Benefit-Cost Analysis of Distributed Energy Resources](#) principle of comparing resources consistently¹ and is consistent with the requirement to use the cost test for comparing portfolios. Are there any reasons to limit the use of the cost test?
 3. The draft cost test rules are intended to capture the impacts (including both costs and benefits) that must be considered when determining whether a portfolio is the lowest reasonable cost and whether an ISP is in the public interest, while providing significant flexibility.
 - a. Are there any necessary impacts missing from the draft cost test rules?
 - b. Alternatively, are there any currently listed impacts that should not be included in the draft rules? If yes, please explain why the cost test should not consider each impact identified.
 4. The draft cost test rules provide guidance on how the cost test shall be applied to the long-term planning and implementation planning requirements. Are these identified applications clear and appropriate?
 5. There may be additional guidance useful to large combination utilities that may not be appropriate to include in draft cost test rules.
 - a. Is there necessary guidance missing from the draft cost test rules? If so, what guidance is missing and why is it necessary? For example:
 - i. Should the draft cost test rules provide more guidance on the applicability of the cost test, including, but not limited to, how the cost test shall be applied consistently in the development of a lowest reasonable cost portfolio?
 - ii. Should the draft cost test rules provide more guidance on the costs and benefits to include in the cost test?
 - b. Please identify what additional guidance might be useful for large combination utilities to receive from:
 - i. A technical advisory group,
 - ii. An equity advisory group,
 - iii. The public,
 - iv. The Commission in a subsequent ISP order,
 - v. Other sources.
 6. The draft cost test rules propose two new definitions.
 - a. Is the proposed definition of "resiliency" reasonable and adequate?
 - b. Is the proposed definition of "security of supply" reasonable and adequate?

¹ National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources by National Efficiency Screening Project, August 2020.

7. During the second technical conference, hosted on Friday, December 13, 2024, PSE presented an overview of its current modeling practice and how it envisions using a cost test to develop a lowest reasonable cost portfolio.² Are there any changes or modifications required to the draft cost test rules to allow for the stages and overall process proposed by the Company? If so, please explain the changes or modifications and why they are necessary.
8. What else, if anything, should the Commission consider in the design of the cost test rules?

WRITTEN COMMENTS

Written comments on the draft cost test rules, pursuant to WAC 480-07-250(3), must be submitted in electronic form, specifically in searchable .pdf format (Adobe Acrobat or comparable software). As provided in WAC 480-07-140(5), those comments must be submitted via the Commission's web portal at www.utc.wa.gov/e-filing. If you are unable to submit documents via the portal, you may submit your comments by email to the Commission's Records Center at records@utc.wa.gov or by mailing or delivering an electronic copy to the Commission's Records Center on a flash drive, DVD, or compact disc that includes the filed document(s). Comment submissions should include:

- The docket number of this proceeding (Docket U-240281).
- The commenting party's name.
- The title and date of the comment or comments.

While comments received after the indicated file date may not be incorporated into the technical conference agenda, Commission Staff will still review and take those comments into consideration in development of the cost test.

The Commission will post on its web site all comments that are provided in electronic format. The web site is located at <https://www.utc.wa.gov/casedocket/2024/240281/docsets>.

If you are unable to file your comments electronically the Commission will accept a paper document. If you have questions regarding this rulemaking, you may contact Staff lead Payton Swinford at (360) 489-4044, or by email at Payton.Swinford@utc.wa.gov.

MEETING PARTICIPATION

In addition to filing written comments, the Commission invites interested persons to attend the third virtual cost test Technical Conference on Thursday, January 9, 2025, at 8 a.m. The cost test rule proposal will be discussed at this technical conference. This technical conference will provide for verbal input from interested persons on all aspects of the cost test rule proposal.

² *In re Commission rulemaking required to implement ESHB 1589 (Chapter 351, Laws of 2024)*, Docket U-240281, Cost Test Recording No. 2., Slides 5-6 (December 16, 2024).

Interested persons may attend via Zoom by calling (253)215-8782. To participate in the meeting using Zoom on a computer or mobile device, [click here to join the meeting](#).³ The virtual meeting passcode is 654182, and the Meeting ID is 829 3973 2962. If you wish to be placed on the interested persons contact list, please contact the Commission's Records Center at records@utc.wa.gov.

Interested persons will have further opportunity for comment. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's website as it becomes available. If you wish to receive further information on this rulemaking you may:

- Call the Commission's Records Center at (360) 664-1139
- Email the Commission at records@utc.wa.gov
- Mail written comments to the address below

When contacting the Commission, please refer to Docket U-240281 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop S.E.
Lacey, WA 98503

NOTICE

If you do not want to comment now, but do want to receive future information about this rulemaking, please notify the Executive Director and Secretary in one of the ways described above and ask to be included on the mailing list for Docket U-240281. If you do not do this, you might not receive further information about this rulemaking.

/s/ Jeff Killip
Executive Director and Secretary
By: /s/ Kathy Hunter
Transportation and Safety Director
Executive Director's Designee

³ <https://utc-wa-gov.zoom.us/j/82939732962?pwd=Z4NiA9Gjdj8zcORiugGrX03BYxRt9h.1>