January 6, 2025

To: Jeff Killip, Executive Director and Secretary, Washington UTC
From: Donna Albert, P.E. (retired)
Subject: Docket U-240281, **General comments on Cost Test,** in the Rulemaking required to implement ESHB 1589

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Straightforward Cost Test definition

In June 2024 comments, Tom Kraemer and Don Marsh state the function of the cost test, as found in the definition of "lowest reasonable cost," in RCW 80.86.010 (22):

> "Lowest reasonable cost" means **the lowest cost mix of demand-side and supply side resources and decarbonization measures** determined through a detailed and consistent analysis of a wide range of commercially available resources and measures. At a minimum, this analysis must consider
> - long term costs and benefits
> - market-volatility risks
> - resource uncertainties
> - resource dispatchability
> - resource effect on system operation
> - the risks imposed on the large combination utility and its ratepayers
> - public policies regarding resource preference adopted by Washington state or the federal government
> - The cost of risks associated with environmental effects including potential spills and emissions of carbon dioxide, and
> - the need for security of supply
>
> ***Thus the cost test is a "detailed and consistent analysis" to determine "the lowest cost mix of demand-side and supply side resources and decarbonization measures," as well as for any other purpose that may be determined by the commission.***

The Cost Test required in RCW 80.86 is straightforward, and **this RCW definition is a more practical starting point than the guidance in the Straw Proposal** for the Primary Cost-Effectiveness Test.

In the same comments, Kraemer and Marsh proposed a Compliance Checklist drawn from RCW requirements, which is a practical and useful suggestion. **The Compliance Checklist as presented in their comments incorporates overarching policy goals**, e.g., greenhouse gas limits (proportional share under RCW 70A.45.020), and benefits and avoidance of burdens to vulnerable populations and highly impacted communities, health benefits, and environmental benefits (RCW 19.405.140).

The rules developed by UTC to implement ESHB 1589 must ensure that overarching policy goals are achieved in every portfolio configuration which is considered. Physical achievement of these policy goals must be tracked, measured, and and verified.

Cost Test Simplicity

(Some of my comments below refer to the January 18, 2023 Comments of Public Counsel on Straw Proposal, Docket UE-210804)

Cost benefit analysis results are determined by the alternatives considered and assumptions assigned. A **collaborative and iterative review process** will allow UTC to point out alternatives that were not included and identify problematic inputs or incorrect assumptions, so the utility has the opportunity to verify and agree on changes, and then re-run the Cost Test. **Use simple, widely accepted models or tools which everyone understands well.**

In II. General Comments, Public Counsel points out:
- CETA does not mandate that all requirements be incorporated into a cost test
- Washington utilities have relied on the TRC and UCT, which measure overall costs and benefits
- Counsel suggests replacing the TRC with SCT, which will more fully reflect CETA policy directives
- **All of these tests (TRC, UCT, SCT) are defined the California Standard Practice Manual, and are already commonly used by utilities**

Counsel goes on to say that a complicated single test may obfuscate rather than illuminate the detailed information the Commission requires to ensure policy objectives are met.

Multiple other comments made by Counsel in their 2023 comments deserve careful consideration. Please review those comments again.

The cost test guidance in the Straw Proposal forces apples and oranges together into one opaque and complicated model. I am personally concerned that overarching policy goals of climate emissions, equity, and health will be lost in an overly-complex cost test, and not fully implemented. **Evaluate the direction this process is taking now. Consider a simpler and more transparent approach.**

Equity

"In sum, natural gas distribution and use contribute to poor indoor and outdoor air quality and contribute to a myriad of negative health outcomes," according to the January 5, 2024 Health Impact Review of ESHB 1589 report by the Washington State Board of Health. These health impacts should be quantified and considered when measuring the **harm of delaying** a transition off of natural gas, or when proposing mixing natural gas with RNG or hydrogen.

Please ensure there is a mechanism for considering health impacts which are specific to a fuel choice, which have outsized impacts to children, pregnant women, the elderly, those with existing health conditions, and those whose health is already impacted by racism or inequity. It is irrelevant that the exact numbers of children, women, seniors, people of color, or people with health conditions in PSE territory are unknown - we know they are there, and that they are disproportionately harmed by natural gas.

Other Environmental

I suggest there is also a need to properly evaluate "other environmental" impacts, which are not otherwise considered in regulations or permitting, for example the massive climate emissions, lost opportunity carbon emissions, health, food security, water, eutrophication, and biodiversity impacts of purpose grown agricultural energy crops for RNG if proposed by PSE on a scale large enough to replace a meaningful amount of current natural gas use.

Public Counsel suggests that other policy-driven analyses, such as other environmental impacts, can be evaluated as part of the resource and program selection processes. I am not sure to what extent that could be used to address the environmental concern I have expressed regarding RNG.

On page 15 of their comments, Counsel suggests removing "other air emissions" from the "Other Environmental Impacts" definition, because it could result in double-counting. I am unsure of that. For example, the lost carbon opportunity cost of fuel made from purpose-grown agricultural biomass tends to exceed the climate emissions of burning it, but those foregone carbon emissions are not accounted for in Ethanol (or other biofuels) in the Clean Fuel standard. Would UTC encounter a similar barrier when evaluating the impacts of RNG made from purpose-grown agricultural biomass? I'm sure that the lost opportunity carbon cost (and other environmental costs related to water and nitrogen) of **using agricultural land to grow energy biomass** are not counted in any Washington State or Federal regulation or permitting process. I am unaware of any permitting or regulation that prevents using agricultural land and water to grow biomass for energy on a large scale. Other have reassured me that "there just isn't enough RNG to replace natural gas, don't worry about that" and "RNG is too expensive, don't worry about that." **I remain concerned that allowing RNG as a natural gas replacement in resource or systems planning would delay actual effective decarbonization, if clear direction is not provided to PSE in a timely manner.**

Reliability and Resilience

The definitions of reliability and resilience as commonly defined in energy policy are from the point of view of the utility or the energy delivery system. Consider that resilience from the customer's point of view may be about how well they can weather an outage, and recover from it. A customer with a car and money may drive outside the outage zone, and find a hotel. Someone with medical issues and no family nearby may be in physical danger. It's a good idea to think through these differences of perspective. **Reliability and resilience may belong both in the Cost Test (the cost of the utility providing reliable service, and getting the lights back on quickly) and in the distributional equity evaluation framework (the different ways that individual customer circumstances exacerbate the impacts of an outage).**

Policy-Driven Analysis — Relationship to Cost Test

To ensure equity policy is implemented, Public Counsel suggests a "distributional equity evaluation framework," which the Commission has already committed to start, and which is separate from the Cost Test.

Will UTC define a process for policy-driven analysis, to ensure other overarching policy goals are implemented?

What process will enable UTC to consider the health impacts of current and ongoing natural gas use, and quantify the health benefits resulting from a quicker transition off natural gas? The longer it takes, the greater the personal cost of natural-gas-related health harms. The baseline of the analysis should be zero harm to health, not the current unacceptable level of harm caused by natural gas in homes. (I don't see a mention of indoor air quality in the Public Counsel comments. Poor indoor air quality and resulting illnesses are directly related to burning natural gas indoors.) **Please quantify the current and ongoing health harms caused by continued natural gas use, and a delayed transition off natural gas.**