



NW Energy Coalition
for a clean and affordable energy future

Received
Records Management
Jan 14, 2025

January 14th, 2025

Filed Via Web Portal

Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Comments regarding Draft Cost Test Rules of NWECA in response to December 24th, 2024 Notice Docket U-240281

Dear Director Killip,

The NW Energy Coalition (“NWECA” or “Coalition”) appreciates the opportunity to comment on the Washington Utilities and Transportation Commission (“Commission” or “UTC”) rulemaking draft cost test rules.

The Coalition is an alliance of over 100 environmental, civic and human service organizations, progressive utilities, and businesses. Our mission is to advance clean, equitable, and affordable energy policies in Washington, Oregon, Idaho, and Montana. We envision the Northwest comprised of communities that benefit from a carbon-free energy system that equitably meets the needs of people and preserves the region’s natural resources.

Responses to Notice Questions:

- 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?**

It is reasonable to consider the cost test as one of the factors in the Commission's assessment of whether an ISP serves the public interest. The Commission should take into account a range of criteria when determining what qualifies as being in the public interest.

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.**

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.

- a. The proposed cost test rules appear to broadly align with the provisions of HB 1589. Currently, NWECA does not identify any further impacts; however, this may change in future ISP processes.
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?**

NWECA anticipates that UTC Staff may suggest further changes to the rules in the rulemaking process. The initial draft of the cost test rules indicates that the cost test will apply to electric and natural gas planning at the portfolio level. Each portfolio in the ISP planning process will need to have the cost test applied. Additionally, large combination utilities will apply the cost test to demonstrate that the ISP is in the public interest.

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? 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? Should the draft cost test rules provide more guidance on the costs and benefits to include in the cost test?**

During the third technical conference, WUTC staff expressed concerns about the proposed draft rules intended to regulate the cost test in the energy sector, noting that they felt the rules were too broad.

The NWECA prefers more flexible guidelines regarding the applicability of the cost test, as well as how costs and benefits are assessed. NWECA highlights the iterative nature of the ISP process and emphasizes that the application of the cost test will adapt and evolve over time. The organization anticipates that the Commission will offer further guidance on applying the cost test and evaluating costs and benefits in upcoming orders.

- a. **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.**

The public interest standard outlined in the statute for HB 1589 is multifaceted. Providing clarity on which aspects of the public interest are most crucial would benefit from input gathered through various channels, such as technical advisory groups, equity advisory groups, and direct engagement with the public.

NWEC believes that the ISP process and the application of cost tests will evolve over time, and we look forward to the Commission's guidance on these important matters.

6. The draft cost test rules propose two new definitions

a. Is the proposed definition of “resiliency” reasonable and adequate?

During the January 9, 2025 workshop, staff highlighted the need to broaden the definitions within the cost test section, an essential step for achieving a more precise measurement of benefits when implementing the cost test. Staff's resiliency definition in the draft rule offers a reasonable definition of resiliency. NWEC expanding the definition of resiliency to *"Resiliency" means the ability of a large combination utility's electric and gas system to prepare for, mitigate, and minimize effects on customers, withstand, respond to, and recover from system outages during extreme weather, cybersecurity, or other extraordinary events.*

NWEC recognizes the critical importance of defining resiliency. NWEC suggests broadening the definition to incorporate community resilience criteria. NWEC's proposed additions aim to create a more comprehensive understanding of resilience, emphasizing the need for a holistic approach.

b. Is the proposed definition of “security of supply” reasonable and adequate?

NWEC recommends the definition of security of supply be established in a separate proceeding. To decarbonize Washington's energy system, large combination utilizes will play a crucial role in procuring a wide variety of clean energy resources to meet load. In this clean energy transition, the acquisition of out-of-state renewable resources will lead to system-wide cost reductions and lower renewable generation curtailments.

8. What else, if anything, should the Commission consider in the design of the cost test rules?

- a. The section 3(j)(ii) of the cost test draft rules states, “bill impacts shall be estimated for all customers on average for each utility portfolio.” NWEC interprets this as requiring bill impact assessments for each major rate class rather than simply averaging costs across all customers. For instance, understanding the bill impact for residential and small commercial customer classes would be particularly useful.

Furthermore, it's important to present bill impacts with some nuance. For example, transportation customers on the natural gas systems do not pay large

combination utilities for natural gas commodity costs. Consequently, any bill impact on transportation may appear significant on a percentage basis compared to retail natural gas. Therefore, it's crucial that bill impact information is shared in context.