



U-240281

Received
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Jan 15, 2025

January 14, 2025

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

**Re: U-240281, Renewable Northwest and Climate Solutions' Fourth Set of
Comments on the Rulemaking required to implement ESHB 1589**

Dear Jeff Killip,

On December 24, 2024, the Washington Utilities and Transportation Commission (UTC or Commission) issued a Notice of Opportunity to File Written Comments (Notice) on the cost test for emissions reduction measures achieved by large combination utilities to comply with state clean energy and climate policies. In its Notice, the Commission asked eight questions related to the development of the cost test.

Renewable Northwest and Climate Solutions appreciate the opportunity to file responses to a subset of the Commission's questions. We expect that our comments and positions may evolve as the Commission works through this process.

- 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?**

RNW and CS agree that the cost test should be used to **aid** the Commission's evaluation that an ISP is in the public interest but caution that a broader public interest evaluation should still take place outside of the cost test framework. The draft rules on this subject, included below, appear too narrowly construed, and we suggest making clear that the cost test is part of a larger public interest evaluation that the Commission undertakes, not sufficient by itself.

"Each large combination utility shall apply the cost test to demonstrate that the ISP is in the public interest, according to WAC 480-95-060(4)."

RNW and CS would also appreciate additional clarity on whether and how the cost test will be different than the ISP analysis. Currently, the Staff proposed cost test framework seems to encompass all elements that would inform the ISP. RNW and CS envision the cost test as one of the tools informing and supplementing the ISP analysis and the broader public interest evaluation, with the ISP itself comprising additional analysis components (in addition to 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 consistently 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?**

RNW and CS interpret the draft rules to mean that the cost test is applied at the portfolio level as a way to compare portfolios, which are composed of different resources and different levels of emission reduction measures. Based on that interpretation, our understanding is that the cost test would inherently apply to all resources. If the cost test is being applied at multiple steps in the ISP analysis (not just at the portfolio level), then we would appreciate additional clarity on how that would work. The latter may also require a definition of an emission reduction measure.

- 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.**

RNW and CS appreciate the importance of the listed impacts. However, we also recognize the difficulty of developing a tractable calculation for all these impacts and are concerned that the decision on whether these will be included cannot be totally independent from the consideration of how they will be quantified. RNW and CS are especially concerned about the impacts that are not easily quantified in monetary terms, as their calculation can be

both challenging and subjective. RNW and CS will continue to provide input as the Commission works through this process, and we are looking forward to further discussion on the topic.

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?

RNW and CS believe that the applicability section of the draft rules could be further developed to provide simple and clear directions on (a) the role of the cost test within the broader context of the ISP and the public interest evaluation, (b) the role of the cost test in ensuring compliance with all relevant state policies, and (c) the application of the cost test over a long-term planning horizon, consistent with the ISP's study period.

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.**

RNW and CS have no additional comments on this question but have raised concerns around the applicability of the cost test in response to question 4.

6. The draft cost test rules propose two new definitions.

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

RNW and CS have no feedback for the definition of “resiliency” as provided in the draft cost test rules at this time.

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

The proposed definition of “security of supply” includes the use of in-state energy resources and the risks associated with importing energy resources from out of state. RNW and CS believe that this definition groups together supply risks that are different. For example, Montana wind power is subject to concerns of non-dispatchable supply, captured within the reliability metric. However, natural gas imported from locations including British Columbia and Alberta, is subject to additional risks, including pipeline risks (that could be captured within the reliability metric), but also exposes ratepayers to risks associated with international politics. Furthermore, PSE’s comment that “the bifurcation of in-state versus out-of-state resources in the proposed definition of “security of supply” could harm customers by hindering the integration of the bulk electric system across North America” reflects a valid concern and merits consideration. RNW and CS are concerned that a metric that benefits in-state electricity is not necessarily aligned with the overall objective of an efficient integrated electric system.

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. 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.

RNW and CS have no proposed modifications at this time but will keep following the conversation and providing input as the Commission works through this process.

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

RNW and CS believe that together with the development of the cost test framework, it would be helpful to more clearly articulate the test’s purpose and objectives within the broader context of the ISP. The cost test purpose could be included in the draft rules or explained in the Commission’s order approving the rules.

Conclusion

Renewable Northwest and Climate Solutions thank the Commission for the opportunity to provide comments on the draft cost test rules, and we look forward to further discussion and engagement. We appreciate the challenge and complexity all parties tackle together in this first-of-its-kind rulemaking. We encourage Commission Staff to reach out if they have any questions about our comments.

Sincerely,

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