



NW Energy Coalition

UE-210804

December 14, 2021

Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

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COMMISSION

12/14/21 14:21

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Re: NW Energy Coalition's initial set of comments in Docket UE-210804, Developing a Commission jurisdictional specific cost-effectiveness test for distributed energy resources incorporating CETA

Dear Ms. Maxwell:

The NW Energy Coalition ("NWECC" or "Coalition") appreciates the proactive approach of the Washington Utilities and Transportation Commission ("UTC" or "Commission") to determine whether additional guidance related to cost-effectiveness of distributed energy resources (DERs) is necessary. The Clean Energy Transformation Act (CETA) established a comprehensive set of policy goals that relate to DERs. CETA and other policy and market movements are resulting in changes to the future of DERs that warrant an evaluation of how utilities apply various cost-effectiveness tests.

Cost-effectiveness tests serve a specific role in the evaluation of utility investments, and we agree that it is important that they reflect both the costs and benefits to the utility and customers, but also broader societal and public policy goals. However, cost-effectiveness tests are not the only means to ensure that programs align with Washington's policy goals; other policies or regulatory structures should work in tandem with cost-effectiveness tests. In particular, this point is true when considering policy goals like equity that cannot be comprehensively understood and evaluated through economic analysis. For example, in California, the California Public Utilities Commission has directed utilities to invest in programs to meet certain equity goals, with different metrics than simply cost-effectiveness.¹ As the Washington UTC moves forward with better aligning our state's cost-effectiveness tests with public policy objectives, other changes or program enhancements may be needed, as well.

In our view, it is important that any cost-effectiveness test not hinder necessary investments in DERs, and we think that these tests should be consistent amongst utilities. At this point, we are not certain whether a single jurisdiction cost-effectiveness test is appropriate for all DERs; for example, DERs that build a utility's load (e.g., transportation electrification) come with different costs and benefits for a utility than a DER that sheds or moves load. Moreover, load-building costs and benefits are likely evaluated differently by single fuel utilities than by dual fuel utilities. However, we look forward to

¹ <https://www.utilitydive.com/news/california-is-changing-the-way-it-values-energy-efficiency-to-look-beyond-r/600813/>

moving through the National Standard Practice Manual (NSPM) process and principles to learn more and refine our position.

We think that one important outcome of this docket should be increased transparency of how utilities develop and use cost-effectiveness tests: it should be simple and straightforward for stakeholders to know what inputs go into these tests, including how utilities value avoided costs. Currently, for a layperson, tracking down a utility's avoided costs is not straightforward or easy, nor is a simple understanding of cost-effectiveness tests. We hope that as a part of this process that the UTC could develop a webpage or other informational resource to help all stakeholders understand these important aspects of resource selection.

In response to questions posed by the Commission, the Coalition offers the following initial comments:

1. *Do the policy goals identified in Table 3 appropriately and sufficiently cover the applicable policy goals for Step 1 of the process to develop a Commission specific primary test for DERs?*

The policy goals outlined in Table 3 adequately cover the policy goals related to DERs as well as the desired outcomes of utility investments in DERs. A collective understanding of applicable policy goals is helpful to steer this process, but we also encourage the Commission to expand on the barriers created by the current cost-effectiveness approach and to further articulate the desired outcome of developing a jurisdiction specific primary test for DERs. Specifically, we encourage the Commission and stakeholders to address the following questions:

- How are the policy goals not currently being met due to the current cost-effectiveness approach?
- How can a jurisdiction-specific primary test remove the barriers created by the current cost-effectiveness approach?
- Is alternative or complementary evaluation criteria needed to holistically meet the policy goals related to DERs?

2. *Do any of these policy goals apply to some DERs but not others? Please discuss the advantages and disadvantages of applying some of the policy goals to different DER types.*

The policy goals are relevant for each of the DERs included in the NSPM. These DERs include energy efficiency (EE), demand response (DR), distributed generation (DG), distributed storage (DS), transportation electrification (TE), and building electrification. However, achieving these policy goals will likely vary by DER. For example, achieving resiliency will look different from an energy efficiency measure than for a transportation electrification measure.

3. *The cost-effectiveness tests currently employed by Washington investor-owned utilities are the modified total resource cost test and the utility cost test. For stakeholders to have a full understanding of current practice, utilities should provide a table of utility impacts (costs and benefits) currently used for evaluating cost-effectiveness of DERs in response to this question. Specifically, the IOUs should indicate what impacts are currently included for the following different DER resources: energy efficiency, demand response, distributed generation, distributed*

storage, building electrification, transportation electrification, or other DERs identified in a planning process.

NWEC supports the request for utilities to provide a table of utility impacts currently used to evaluate cost effectiveness. We agree that this would be a useful exercise to support stakeholder understanding of the current cost effectiveness approach, and think that this could be a first step to building an informational webpage that we mention in our opening comments.

We also wanted to acknowledge the other cost-effectiveness practices employed by Washington IOUs:

First, for conservation energy efficiency, low-income programming must be excluded from the portfolio level cost-effectiveness test.² This practice has allowed for a more equitable distribution of benefits of EE; continuing this practice even with an expanded cost-effectiveness test framework may continue to be valid.

Second, the Commission directed the IOUs to utilize the results of a societal cost test (SCT) to inform transportation electrification program design and has adopted a “portfolio approach” to electric vehicle charging services, similar to the approach used in utility conservation programs.³ NWEC is not aware of requirements for TE program portfolios to demonstrate that they are cost effective under the modified total resource cost (TRC) test and the utility cost test (UCT).

4. *Are there specific questions related to cost-effectiveness from the NSPM or other sources that are necessary to answer during the course of this investigation? For example, choice of discount rates or incremental cost calculations? Please describe why answers to these questions are necessary to develop a Commission jurisdiction-specific test.*

At this time, the Coalition does not have a response, but will revisit this question as the docket proceeds.

5. *This Docket is focused on electric utility system cost-effectiveness changes due to CETA. Although CETA does not apply to gas utility systems, other recent policy changes indicate a need to examine current cost-effectiveness practices. Please describe the advantages and disadvantages of addressing both electric and natural gas cost effectiveness in this Docket to ensure a consistent framework is used.*

We think it is important that there be consistency in how cost-effectiveness is evaluated for both gas and electric utilities and their respective DERs. CETA has directly pushed the electric utilities to transform how they generate and provide electricity to customers. While the same direct policy directive is not yet in place for gas utilities, our state’s greenhouse gas emission reduction goals and the economic caps under the Climate Commitment Act indicate that gas

² <https://apps.leg.wa.gov/wac/default.aspx?cite=480-109-100>

³ See UTC docket UE-160779, Policy and Interpretive Statement Concerning Commission Regulation of Electric Vehicle Charging Services

utilities must similarly transform. Our future energy system is one in which electric and gas utilities are not siloed industries, but interact together to serve clean and affordable energy to customers. To that end, we think that this docket should evaluate both electric and gas utility DER cost-effectiveness.

6. *The Commission is seeking stakeholder input to develop a workplan for completing this investigation. After reviewing the NSPM, the Commission will convene a series of stakeholder workshops and solicit multiple rounds of stakeholder comments to develop a new primary, jurisdiction-specific test and address other topics raised during stakeholder meetings. We anticipate this process will include five to seven meetings. Please provide feedback on this proposed process, including reasonable timeframes for completion.*

Generally, the approach outlined seems reasonable, and we encourage focusing meetings on specific aspects of the NSPM framework or on related topics to balance stakeholder workload and engagement.

In addition, as a starting place to bring stakeholders up to speed, NWECA recommends the following workshop topics:

- A presentation to stakeholders and the Commission on the NSPM.
 - A presentation from the Commission on current cost-effectiveness approach for DERs and from the IOUs on the utility impacts used for evaluating cost-effectiveness of DERs.
 - A discussion about the approaches to cost-effectiveness used for DERs in other jurisdictions.
7. *We anticipate the discussions will cover the key issues outlined below, following the 5- step NSPM process described above. Please provide comments on this list of issues and identify any additional issues the Commission should evaluate.*

NWECA agrees that this list seems to be the right sets of issues to consider as a part of this process. Specific workshops with narrow questions will help set clear expectations for stakeholder engagement and keep the conversation on track so the scope of the docket does not needlessly expand. NWECA is particularly interested in discussing the relevant scope of the BCA framework and complementary evaluation criteria, outside of the BCA and rate impact analysis, that may be leveraged to meet the policy goals outlined in Table 3.

Thank you for the opportunity to comment. As we confer with other stakeholders, we may have further comments to submit in the coming weeks.

Best,

Amy Wheelless
Senior Policy Associate

Annabel Drayton
Policy Associate