

**From:** [Snyder, Jennifer \(UTC\)](#)  
**To:** [UTC DL Records Center](#)  
**Subject:** FW: EQL comments on June 8 WUTC workshop  
**Date:** Tuesday, June 23, 2020 8:50:34 AM

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Good morning,

Please add this comment to the dockets UE-190698 and UE-191023.

Thank you,  
Jennifer Snyder

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**From:** Ken Nichols [mailto:ken@eqlenergy.com]  
**Sent:** Monday, June 8, 2020 5:29 PM  
**To:** Snyder, Jennifer (UTC) <jennifer.snyder@utc.wa.gov>  
**Cc:** Nightingale, David (UTC) <david.nightingale@utc.wa.gov>; Reynolds, Deborah (UTC) <deborah.reynolds@utc.wa.gov>; Jordan, Elaine (UTC) <elaine.jordan@utc.wa.gov>  
**Subject:** EQL comments on June 8 WUTC workshop

Jennifer,  
Here are EQL's Comments on Utility DR potential studies and target setting.

**1. Potentials** In WA, DR Potential Studies have historically been a waste of time/money at best, and - in my opinion - mostly harmful. Current processes of using consultants goes several steps too far in concluding cost effectiveness, and ends up limiting solutions. Utility should spend their time/money on 1) quantifying the technical potential, but not the economic potential, and 2) estimating and identify their energy resource need and location (by substation). It is useful that utilities breakdown their customer end uses, understand current technology being used, and the load contribution (technical potential). This information can be used in an RFP process to assist vendors participating in RFP. I recommend looking at Hawaii process.

**2. Targets.** I don't think high resolution targets for energy and capacity is useful or effective. High resolution means separating out specific technologies, sectors, or program targets, e.g., res thermostat program, or industrial DR, etc. Utilities should be given percent of load targets for their system using benchmarks from utilities that have done DR decades. These targets could be broken down further by winter and summer loads, sector breakdowns, end use technology, or deferring specific T&D investments. For example, PGE has targeted substations for RFPs related to DR and storage. Targets could should start low and ramp up. Make it very easy for utilities to achieve first year success, but ramp up after that.

Other topics that need closer attention and may address challenges that arise with potentials and targets.

**2. Utility Incentives.** Use of DSM/DER power purchase agreements to achieve cost effective customer sited programs. There are many vendors ready to provide these programs. All they need is a price and a comparable way for utility to earn a return. Well we now have a way for WA utilities to earn a ROE on expense, and though market pricing is not transparent there are

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data points and processes for determining capacity pricing over various tenure. Last year WA state passed a law that allows utilities to earn a return for a PPA, the rate of return can fall in a range from the authorized cost of debt to the authorized rate of return, multiplied by the **operating expense under the power purchase agreement**. I would like to expand this law to cover all resource agreements, Gen, DSM, DER, etc. This might mean DER vendors can sell capacity PPAs, and utilities can get their ROE.

<https://nwenergy.org/wp-content/uploads/2019/05/Washington-E2SSB-5116-Digest-rev-6.28.19.pdf>

Performance incentives are too complicated and will be gamed. Just make it simple.

**2. Wholesale DR Pricing.** PNW doesn't have a transparent capacity market/price. However, PSE just did a 5 yr capacity agreement with BPA.

<https://thesubtimes.com/2020/03/19/new-agreements-will-deliver-clean-bpa-power-to-pse-customers/>

The price of this capacity is not public, but WUTC might have access. If so, it should provide a data point for determining value of non-carbon based capacity in DSM and pricing programs.

WUTC could also use the PURPA avoided cost proceedings to determine wholesale capacity and energy price, and tack on the T&D value of providing these behind the meter.

**3. Retail Pricing.** Listen to Dr. Faruqui and Brattle - pricing programs that accompany aggregator DR programs will be a good solution for PNW. We may not have a liquid wholesale market, but simple pricing models can be implemented.

Best Regards,

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