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State Of WASH.
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COMMISSION

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Via Electronic Filing

Mr. Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: Rulemaking for Integrated Resource Planning, WAC 480-100-238, WAC
480-90-238, and WAC 480-107
Docket U-161024

Dear Mr. Johnson:

By and through this letter, the Alliance of Western Energy Consumers (“AWEC”) responds to the Notice of Opportunity to Submit Written Comments issued by the Commission in the above-referenced docket on April 17, 2018. AWEC appreciates the invitation to participate in this rulemaking docket and submits these comments regarding the revised draft rule proposals.

Integrated Resource Plans (“IRPs”) are tasked with identifying the future demand and capacity available to the utility to meet system demand at the “lowest reasonable cost.”^{1/} Safety and reliability are of course the backdrop for IRP development, but these factors stay in the background, giving way to cost. In other words, the resources selected for comparison by an IRP should be reasonably capable of meeting system reliability requirements.^{2/}

The proposed rules would broaden the scope of a utility’s planning processes to include distribution-level resources well beyond the limits of contemporary resource planning.^{3/} To accomplish the rules’ apparent objectives, a utility would be required to forecast the

^{1/} WAC 480.100.238(2)(a).

^{2/} WAC 480.100.238(2)(b).

^{3/} AWEC fully supports distribution system investments intended to ensure system reliability and provide energy and capacity to customers at the least cost, including conservation.

availability and adoption of distributed generation and storage technologies, including electric vehicles, and the availability and potential use of new meter and distribution technologies that would allow the utility to better ascertain customer behavior. Importantly, the scope and detail of the required planning data may not be readily available to most utilities, requiring investment in new metering and distribution monitoring equipment to comply with the rule. As all costs will eventually be borne by ratepayers, the commensurate benefits of such information should be clearly demonstrated before being required by rule. It is not clear that this is true. At a minimum, AWEC recommends that the Commission receive sufficient evidence into the record of this proceeding to demonstrate a likelihood of net benefits to customers from the distribution system planning requirements the Commission proposes.

Even if metering and monitoring equipment is deployed, the utility would be placed in the position of interpreting customer behavior characteristics to ascertain the possible impacts on system operations. Producing reliable predictions of the impact of customer behavior on operations has long been the promise of “smart meter” technologies. However, realizing the promised benefits from such technologies has proven to be elusive. In part, this is because customer behavior is driven by factors entirely unrelated to system reliability.

A utility operates its system using the resources it controls or that have a long history of reliable availability, such as regional power markets. It does not rest system reliability upon decisions made by customers to acquire and use technology or to follow typical behavior patterns.^{4/} When forecasting future system demand and resource needs, these basic rules should still apply.

From AWEC’s perspective, the new rules would call upon the utility to be more prescient than purposeful when, for example, attempting to forecast future system operations around customer adoption rates for distributed resources, including storage capacity, and the production capability of such resources. In other words, utility planners would be asked to predict *future* customer behavior characteristics and discretionary spending decisions in order to develop the statistical base necessary to produce IRP-level forecasts.^{5/} If these skill sets are not possessed by existing utility planners, the costs of producing such studies would likely increase to the ratepayers’ detriment.

Further, the Commission should consider utility experience with distributed resource technologies and metering equipment before requiring the planning efforts called for by the proposed rules. For example, a utility’s experience with distributed generation may not provide a statistically sufficient base from which to perform the rules’ analyses. To this point, a utility’s obligation to make available net metering ends when the cumulative generating capacity of net metered interconnections equals 0.5 percent of the utility’s peak demand in 1996.^{6/} To AWEC’s knowledge, no utility has hit the capacity limit set forth in statute. At some future

^{4/} For example, in most cases, a utility can ask customers to reduce demand during peak hours, but it cannot force customers to do so unless customers have authorized the utility to directly control their load. As a result, utilities must secure resources that can be immediately and reliably called upon to meet expected demand.

^{5/} For example, a decision to purchase an electric vehicle or to install solar panels.

^{6/} RCW 80.60.20(1)(a).

point, the penetration of distributed generation resources could be sufficient to warrant and support the studies required by the rules, but the facts indicate that this is not the time.

The limited capacity provided by distributed resources on existing utility systems raises the fundamental policy question presented by the proposed new rules – at what cost would the Commission require utilities to build a planning platform for distributed resources and distribution level conservation? Even without new capital investment, the studies and hypothetical planning exercises required to meet the demands of the rule would likely require a significant investment of “startup” costs by the utility.^{7/} These costs are ultimately recovered from its customers. Further, what is the real value of such information, given the speculative assumptions required to forecast customer adoption and use rates? AWEC is not positioned to estimate the costs of complying with the rule but asserts that the costs must be economically justified and measured by the value of the information received. Unless the Commission is convinced of the economic viability of acquiring the data called for by the proposed rules, it should not adopt them.

Moreover, AWEC is concerned that the draft rules lose focus on the fact that such costs would be borne by the utility’s customers alone (to the extent they are deemed to be prudently incurred) and, therefore, should directly benefit customers. Proposed revisions to WAC 480-100-238(1), for instance, include as a purpose of integrated resource planning the development of “infrastructure to meet the *state’s* energy needs” (emphasis added). Proposed revisions to WAC 480-100-238(2) revise the definition of “integrated resource plan” to remove language that applies lowest reasonable cost considerations “to the utility and its ratepayers.”^{8/} Utilities are obligated to charge fair and reasonable rates “for services rendered” – services that are rendered to their customers, not to the state. Therefore, unless directly mandated by state law, under no circumstance should a utility plan to meet the state’s energy needs (however that might be interpreted). It should, instead, focus exclusively on meeting its *customers’* energy needs at the lowest reasonable cost.

In summary, utility service at the “lowest reasonable cost” is integrated resource planning’s hallmark objective. A related principle is embodied in the statutory mandate that only *cost-effective* conservation is required to be pursued by the utility.^{9/} The importance of making economic choices when considering the proposed rules should not be overlooked. For this reason, AWEC requests that the Commission carefully weigh the timing^{10/} and value of the proposed IRP rules.

For clarity, the Commission should not misconstrue AWEC’s comments as opposing distribution system-level investments. AWEC agrees with the Commission that such investments are likely to become of increasing importance and, particularly with respect to demand response, have the potential to provide significant benefits to customers. However,

^{7/} These same planning costs can be expected to recur from year to year, driven by the utility’s annual planning obligations.

^{8/} AWEC notes that the deleted language is in statute and, thus, should be reflected consistently in the Commission’s rules as well. RCW 19.280.020(9).

^{9/} RCW 19.285.040(1).

^{10/} Here, “timing” is meant to convey the demonstrated existence of sufficient distributed resources, electric vehicles, or customer demand for the advanced technologies and services called out for study by the rule.

given the lack of any financial incentive for utilities to pursue most such resources, AWEC is skeptical that greater regulatory scrutiny through the IRP process is the answer. Capturing the full value of distribution system planning may require a fundamental restructuring of utility regulation and the financial incentives inherent to it. AWEC believes the Commission and stakeholders would be better served at this time by investigating the options in this regard rather than pursuing the proposed rules.

Again, AWEC thanks the Commission for the opportunity to respond and provide these comments.

Sincerely,

/s/ Patrick J. Oshie

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