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**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Rulemaking for Integrated Resource Planning,
WAC 480-100-238, WAC 480-90-238, and
WAC 480-017.

DOCKET U-161024

PUBLIC COUNSEL COMMENTS ON DISTRIBUTION PLANNING

May 17, 2018

I. INTRODUCTION

1. Pursuant to the Commission's April 17, 2018, Notice of Opportunity to File Written Comments (Notice), Public Counsel submits the following comments. Public Counsel believes that distribution planning for both electric and natural gas should be a more transparent process and would benefit from stakeholder participation. Moreover, Public Counsel believes it is practicable to incorporate distribution planning into the Integrated Resource Planning (IRP) process. The following comments address the draft revision of WAC 480-100-238 (Draft Rules) and questions prompted in the Commission's Notice.

II. GENERAL COMMENTS

2. Public Counsel has some general comments for consideration regarding the Draft Rules and the Notice on distribution system planning.
3. First, Public Counsel is supportive of incorporating distribution planning as part of the IRP. However, the Draft Rules and Notice appear to focus on only a portion of distribution planning, which establishes procedures for incorporating distributed energy resources (DER) into the IRP process as a resource. While Public Counsel understands that this type of planning

should be incorporated into the IRP, we also believe that other aspects of a utilities' responsibility to customers, specifically reliability, safety and resiliency, should also be addressed in distribution planning. This responsibility should not be neglected in the haste to integrate new technology, but should be enhanced, particularly given the potential for these distribution system plans (DSP) to provide a more transparent and complete understanding of the distribution planning process, as well as providing a platform for stakeholder feedback on investment decisions. We provide further details on this in the next section.

4. Second, as the Draft Rules are presently written, Public Counsel found it difficult to discern the purpose and intent of these plans. The Notice states, "the Commission's intent is to adopt changes to the current rules, or create a new rule, that will increase transparency of utility planning to meet distribution system needs that ensures that utilities make investments on a least-cost, least-risk basis."¹ However, the Draft Rules do not fully reflect this intent. The short-term capital investment and long-term planning and system improvement sections appear disconnected from one another and do not appear to include the importance of comparing traditional distribution investments against a major distribution capital investment. Public Counsel recommends that well-defined goals for DSPs should be stated in the rules, in addition to the requirements that have been presented in the Draft Rules.

5. Third, Public Counsel regards customer benefits and cost-effectiveness as crucial requirements of the DSPs. While the Draft Rules state that cost assumptions must be transparently presented,² the Draft Rules do not define or describe customer benefits in any

¹ Notice at 2.

² Proposed WAC 480-100-238(3)(a)(ii).

portion of the Rules, nor does it provide a directive to compare the cost effectiveness of an infrastructure or traditional infrastructure investment to a major distribution capital investment within a DSP (beyond the reference in the definition of DSP). We recommend that the Draft Rules be modified to explicitly require a discussion of the benefits and cost-effectiveness of the potential resource options identified in the short-term capital investment plan.

6. Finally, Public Counsel believes workshops and additional discussion with interested parties are needed to define and specify important terms, and further develop the requirements in the rules.

III. COMMENTS ON DRAFT RULES

7. Upon reviewing the Draft Rules, Public Counsel has some concerns on the following topics.

A. Scope of DSP Plans

8. Public Counsel believes that the DSPs would benefit from the inclusion of goals within the Draft Rules. We recommend the Distribution System Plan rule appear in a new section separate from the existing IRP rules with a new ‘purpose’ or ‘scope’ statement, similar to the current purpose statement in WAC 480-100-238(1), that contains at least two goals. We discuss these goals below, with further discussion of the new purpose statement in section C (1) of these comments.

1. Maintain and enhance reliability, safety, resiliency

9. First, we strongly believe that reliability, safety, and resiliency - the fundamental responsibilities of a utility service - should also be a goal within the DSP - not simply the

integration of DERs. Due to a current lack of transparency, it is difficult for stakeholders to understand how investments to meet these standards are chosen and even more difficult to determine whether the investments are cost-effective in relation to other options.

10. For instance, Massachusetts not only requires the integration of DERs in its grid modernization plan, but also includes reducing the effect of outages and reducing system and customer costs as part of the objectives.³ Minnesota provides another example. As part of its grid modernization report, the state also included a guiding principle to “enhance the safety, security, reliability, and resilience of the grid, at fair and reasonable costs, consistent with the state’s energy policies.”⁴

2. Overview of current distribution system

11. Second, the Draft Rules should include a specific goal of providing an overview of the current distribution system, in order to understand existing distribution investments and system needs. Public Counsel believes the distribution system plans should include an overview and description of the current distribution system. We believe it is important to understand each utility’s current distribution system, or its baseline, in order to understand and evaluate the appropriateness of investments in the short-term capital investment plan, long-term plan, and the DER report. This requirement has been included in another jurisdiction, such as the District of Columbia (DC). In DC’s *Modernize the Distribution Energy System to Increase Sustainability* (MEDSIS) report, one of the primary purposes of the report is to discuss the current system of

³ Homer et al, *State Engagement in Electric Distribution System Planning* at 3.1 (2017) (available at: http://eta-publications.lbl.gov/sites/default/files/state_engagement_in_dsp_final_rev2.pdf).

⁴ Minnesota Pub. Utils. Comm’n, *Staff Report on Grid Modernization* at 14 (2016) (available at: <https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={E04F7495-01E6-49EA-965E-21E8F0DD2D2A}&documentTitle=20163-119406-01>).

energy delivery.⁵ While the scope of this principle for DC differs from its applicability for Washington State utilities, it does review the current system's capability before looking at modernization and distribution advancements. Public Counsel recommends that the Draft Rules be revised to require the DSPs to include an overview and discussion of the utilities' current distribution system. Public Counsel recommends the following language to replace what is currently titled as section WAC 480-238-100(3) Distribution System Plans (underlined language is new language). This revised section will serve as an overall purpose statement that identifies the goals of the DSP apart from the goals of the broader IRP. Public Counsel has compiled its proposed modifications to the Draft Rules in Attachment A.

(1) Purpose. The intent of the distribution system plan is to provide a cost-effective short term capital investment plan presenting projections of distribution system investments, a long-term future outlook of system improvement, and a report identifying potential tools and practices that may facilitate the integration of distributed energy resources. The distribution system plan must serve as an input to the integrated resource plan by identifying distribution system investments that may be leveraged to meet system needs, and by identifying points on the distribution system where the utility may be able to deploy distributed energy resources to meet system generation needs identified in the integrated resource plan. The distribution system plan must address the following goals:

a. maintain and enhance the reliability, safety, and resiliency of the distribution system.

b. provide an explanation of the utility's current distribution system

⁵ Public Service Commission of the District of Columbia, *Formal Case No. 1130, Modernizing the Energy Delivery System for Increased Sustainability, Staff Report* (Jan. 25, 2017) (available at: <http://www.dcpsc.org/getmedia/6048d517-1d9d-4094-b0f4-384f19a11587/MEDSISStaffReport.aspx>).

3. Additional goals

12. While Public Counsel only recommends two goals at this time, we believe that other goals established in other jurisdictions should be considered and incorporated into the Draft Rules. For example, distribution system goals from other jurisdictions include reducing system and customer costs, enabling customer choice, and fuel and resource diversity. We look forward to discussions with other interested parties to discuss our recommended goals, as well as additional goals.

B. Definitions

13. Public Counsel believes the Draft Rules require two definition clarifications.

1. Infrastructure investment

14. This term is used several times throughout the Draft Rules; however, the meanings of ‘traditional infrastructure’ and ‘infrastructure investment’ are not always clear. Public Counsel believes that these are important definitions to have within the rules given the necessary distinction between ‘infrastructure investment’, ‘traditional infrastructure’, and a ‘major distribution capital investment’ within the DSP.

2. Major distribution capital investment

15. The definition of a ‘major distribution capital investment is, “a distribution system infrastructure investment that is significant enough in scope and cost for there to be opportunities for distributed energy resources to meet the same need that the infrastructure investment is designed to meet.”⁶ Public Counsel firmly believes that the phrase “significant enough in scope

⁶ Draft Rules, § 2 (Draft Distribution Definitions) at 3.

and cost” deserves further clarification within the rule, as well as further discussion among interested stakeholders regarding the definition within this context. Furthermore, as stated in the previous point, by defining ‘infrastructure investment’ and/or ‘traditional infrastructure’ the threshold of major distribution capital investment and ‘significant enough in scope and cost’ may be easier to define.

C. Short Term Capital Investments and Long Term Planning and System Improvements

1. Purpose statement for DSP

16. Public Counsel has several comments relating to the short-term and long-term plans. The Draft Rules as written in WAC 480-100-238(3)(a) and 480-100-238(3)(b) appears to describe two completely separate portions of the DSP without a clear statement of how the short-term and long-term plans are intended to operate together. It is also not apparent from these two sections that they are both lists of requirements that must be filed in the DSP. Public Counsel interpreted the three parts of subsection 3 as separate (slightly) corresponding documents to be filed as a DSP. Public Counsel recommends the use of its proposed draft language and its new purpose statement section, as previously mentioned above, as a method of harmonizing the three sections of the DSPs and clearly states the intent and goals of the plans.

2. Length of short-term planning timeline

17. Public Counsel considers 10 years too long of a timeframe for the short-term capital investment plan. We believe a timeframe of around five years is a more appropriate length of time for the capital investment plan. Public Counsel supports this shorter timeframe, as it will provide a more accurate estimate of costs than a 10-year plan. Many other jurisdictions, such as

Illinois, Ohio, and Massachusetts⁷ employ shorter timeframes for their distribution planning.

3. Short-term plan goals and specific requirement for cost-effectiveness

18. Public Counsel believes that the goals of the short-term capital investments should be clearly explained within section (3)(a). Based on the Draft Rules, it was not clear whether the proposed investments in this section are to be evaluated, whether costs and benefits will be included, or if the plan must result in cost-effective investments (either traditional or major distribution capital investments). We believe implementing our recommendations on benefits and cost-effectiveness mentioned below will reconcile this ambiguity. We believe that the short-term capital investment requirements should contain a business case (i.e. narrative) with costs, benefits, and cost-effectiveness providing reasoning for why the company chose a specific type of investment over other options. Also, estimated costs should be included in long-term planning and system improvement.

D. Distributed Energy Resource Report/Integration

19. In WAC 480-100-238(3), the Draft Rules discuss “a report *identifying potential tools and practices* to facilitate the integration of distributed energy resources” (emphasis added). However, subsection WAC 480-100-238(3)(c), Distributed Energy Resource Integration, modifies the ultimate definition and use of these distribution system plans. The subsection states that a distribution plan “must facilitate the integration of distributed energy resources,” and changes the plan from a document that identifies potential tools and practices that *may* be used to

⁷ Illinois has a three-year distribution investment plans. Ohio has annual plans with a three-year outlook at the condition of the system, improvements, and estimated expenditure. Massachusetts required a five-year, short-term investment plan for AMI functionality within their 10-year modernization plans.

integrate DERs into a set plan that *must* facilitate the integration of DERs, leaving no room for the possibility that DERs may not be the most appropriate or cost-effective choice for a company and its ratepayers. Public Counsel recommends that section (3)(c) be drafted as follows:

(c) Distributed Energy Resource Integration. A distribution plan must include a report of possible tools and practices for the cost-effective integration of distribution energy resources. In order to facilitate the potential integration of distributed energy resources, the report must include the following:

- (i) Preparing a probabilistic forecast of customer-owned distributed energy resources on the utility's system;
- (ii) Identifying potential tariffs and rate designs to both compensate customers for the value of their distributed energy resources and provide accurate price signals for the acquisition and utilization of those resources;
- (iii) Identifying opportunities for pilot programs that will enable the utility to better understand and leverage developing technologies; and
- (iv) Discussing the utility's efforts to address cybersecurity and data privacy issues posed by the expansion of distributed energy resources.

E. Cost Effectiveness and Benefits

20. Public Council firmly believes that in order for a DER to be included in a utility's lowest reasonable cost mix of resources in an IRP and any major distribution capital investment to be included as a final option(s) (i.e. as a least cost result) within a DSP, it must be shown to be cost-effective and provide direct benefits to customers. Although the Draft Rules provided with this Notice appear to omit the language for the sake of clarity, we presume that the Commission intends to continue the inclusion of a definition of 'lowest reasonable cost' mix of resources within the IRP. We also presume, and as the Notice and Draft Rules allude to, that utilities will only invest in proven cost-effective distribution (major or traditional) investments.

21. However, as currently drafted, the only reference to cost-effectiveness within the Draft

Rules themselves is in the definition of DSP, which is “a plan identifying necessary investments to improve or maintain the reliability of the distribution system, evaluating potential cost-effective opportunities to defer or displace major capital investments on the distribution system, developing and refining the analytical tools to improve distribution system modeling, and facilitating the integration of distributed energy resources.” We believe that cost-effectiveness and a demonstration of customer benefits are a fundamental element of DSPs and should be referenced clearly throughout the rules. Although Public Counsel is not recommending a particular test for cost-effectiveness or the consideration of specific benefits, we do believe further discussions are warranted in determining appropriate measures to be used by utilities.

22. Public Counsel recommends the following additions in WAC 480-100-238(3):

(3) Distribution system plans. As part of its integrated resource plan, an electric utility must develop a cost-effective distribution system plan that consists of a short term plan identifying planned capital investments, a long term plan identifying how the utility is improving distribution system operations and transparency, and a report identifying potential tools and practices to facilitate the integration of distributed energy resources. The distribution system plan must serve as an input to the integrated resource plan by identifying cost-effective distribution system investments that may be leveraged to meet system needs, and by identifying points on the distribution system where the utility may be able to deploy cost-effective distributed energy resources to meet system generation needs identified in the integrated resource plan.

23. Additionally, Public Counsel believes that WAC 480-100-238(3)(a) Short term capital investments should include a clear analysis (i.e. business case) and presentation of investing in a ‘traditional’ infrastructure investment versus a major distribution capital investment to show that the chosen investment is cost-effective and will provide benefits to customers. Public Counsel is open to language on how this could be included in the rule; however, we do believe that it should be include as a requirement in the short-term capital investment plan.

F. Procedural Requirements of the DSP

24. Public Counsel has a few questions regarding the methods and ways in which the DSP will be incorporated within the IRP and the approval process (if any) before the Commission.

Our questions are listed below.

1. When and how should the DSP be incorporated into the IRP planning process?
2. Should the DSPs have its own filing (i.e. scheduled for an Open Meeting and open to the public for comments)?
3. Should these DSPs be subject to Commission approval, acknowledged by the Commission, or presented as a compliance filing within an IRP docket?
4. Are the DSP binding investment plans?
5. Should these plans assist or guide the prudency review process in a GRC?

25. We look forward to discussions with the Commissioners and other stakeholders on addressing these questions.

IV. NOTICE QUESTIONS

1. **Should the Commission propose parallel natural gas distribution planning rule language, similar to the draft rules in WAC 480-100-238 for electric utilities, with the exception of subsection (3)(c) “Distributed energy resource integration”?**
 - a. **How should distribution system planning rule requirements for WAC 480-90-238 be similar to that of the electric utilities?**
 - b. **How should the requirements be different?**

26. Public Counsel believes that natural gas companies would also benefit from an integration of distribution planning into the IRP process, in addition to an advisory group process. We continue to support a distribution planning process that integrates reliability, safety, and resiliency for natural gas planning. Furthermore, this planning process should also include a

five-year capital investment plan with a long-term planning and system improvements plan.

27. The natural gas distribution planning process will differ from the electric rules, such as the applicability of the report on DER potential. However, the goal of the DSP integration, in Public Counsel’s view, will be the same to “develop an integrated resource plan that cohesively plans for meeting resource needs through investments in the generation, transmission, and distribution systems.”⁸ At this time, Public Counsel does not have any specific recommendations on requirements for the natural gas distribution rules. We look forward to discussing these further with interested stakeholders.

2. **In the draft rule, electric utilities would be required to form a separate advisory group to assist the utility as it develops its distribution system plan, in addition to the usual IRP advisory group. Regarding the distribution system advisory group:**
 - a. **Should the distribution system advisory group be required, or should it be optional?**
 - b. **What should be the extent and scope of the distribution system advisory group?**
 - c. **Should the advisory group review the modeling methods, inputs, economic assumptions, cost estimates, and other factors that affect the selection of best options, or just review the results of transmission and distribution analysis?**
 - d. **Is the draft description of the distribution planning advisory group’s membership appropriate?**
 - e. **Is a distribution advisory group necessary for the natural gas utilities? If yes, what should be the extent and scope of the advisory group?**

28. Public Counsel’s understanding of the definition of ‘advisory group’ in the Draft Rules does not require electric utilities to form an advisory group. The definition states, “A utility *may convene* separate advisory groups for integrated resource planning and distribution system planning” (emphasis added).

⁸ Draft Rules, WAC 480-100-238(1).

29. We believe in allowing some flexibility for utilities in deciding whether there should be a separate advisory group, specifically for natural gas distribution system planning. However, Public Counsel believes there may be some benefits to having a separate electric distribution advisory group from the IRP advisory group. Primarily, we believe that this advisory group should be consistent in scope and abilities as other advisory groups, such as the conservation, IRP, and low-income groups. The distribution advisory groups would discuss all topics (at a minimum) mentioned in subsection (c) above, which may benefit from having its own process to address these topics and prevent the IRP process from becoming overly burdensome. Furthermore, the scope of the distribution advisory group should be broadened to also include issues of reliability, safety, and resiliency.

3. **The draft rule uses a new term, “major distribution capital investment,” which is not tightly defined by a dollar value or otherwise. This definition is intended to provide separation of routine traditional maintenance of poles and other components from more significant capital expenditures that often have the potential for more than one solution. In those cases, a major distribution capital investment would call for analysis of all potential distributed energy resource options that satisfy the identified distribution need.**
 - a. **Would it be useful to include a dollar limit in the definition of “Major distribution capital investment”? For instance, the rule could state a cutoff using an estimated capital cost of over \$1 million. Are there other, better, criteria that the Commission should consider?**
 - b. **Is there a need to define a major distribution capital investment for natural gas utilities? If yes, should the criteria be the same as for electric utilities? How should it be different?**

30. As mentioned above, Public Counsel believes that infrastructure investments should be better defined in order to assist with the distinction of an infrastructure investment, a traditional distribution investment, and a ‘major distribution capital investment’. However, the threshold for an investment of ‘significant scope and cost’ should be discussed further and defined with the

consultation of the Commission, and other interested parties.

4. **Distributed energy resources include a broad suite of evolving technologies. Electric utilities are learning through experience and experimentation how to efficiently integrate and value these resources. In recognition of this changing landscape, the Commission wants to encourage significant and creative progress in the prudent adoption and implementation of distributed resources without being too prescriptive in rule. Given that context:**
 - a. **Is there a recommended structure for organizing the distribution system plan that allows future flexibility as well as engendering significant near-term progress?**
 - b. **Is there specific language that would optimize the combined goals of flexibility and timely implementation?**
 - c. **How should pilot and demonstration projects be encouraged in rule?**
 - d. **What criteria should the utility use to evaluate when there is a need for a pilot or demonstration project as opposed to programs ready for full-scale implementation?**

31. Public Counsel believes requiring a shorter timeline (five years) for the capital investment plan will allow the utilities more flexibility and short-term progress. Costs are more likely to be accurate in this period and the focus for completing projects can be more centralized. Additionally, we believe that improvements in reliability, safety, and resiliency can also be added and more likely to be ensured in this shorter time planning period.

32. Nevertheless, the criteria may be easier to determine once there is a clearer definition and understanding of traditional versus major distribution investments, as well as well-defined and straightforward goals of the DSPs. That being said, Public Counsel does believe that any new DER program or investment should be employed as a pilot before full implementation.

5. **Recognizing that utilities are at various stages of modernizing their distribution systems, should the rule identify specific assumed fundamental requirements for enabling a modernized grid, such as:**
 - a. **a two-way distribution communication system,**
 - b. **a distribution management system (DMS) that provides centralized and automated monitoring and control of the utility's distribution system,**

- c. a distributed energy resources management system (DERMS) that aggregates, monitors and controls distributed energy resources as dispatchable resources, or,
- d. other physical infrastructure and software needed to manage and control a modernized grid?
- e. Are the fundamental requirements the same for electric and natural gas utilities? If no, what fundamental requirements should be used for natural gas utilities?

33. No, Public Counsel does not believe that it is necessary to provide ‘fundamental’ distribution requirements. It is our understanding that each utility has a unique distribution system; and thus, may choose different infrastructure investments to meet the needs of its customers. Demanding specific ‘fundamental’ requirements for modernizing a utility’s grid may not be in-line with the DSP and meeting cost-effectiveness standards for the use of a major distribution capital investment over an infrastructure investment. Furthermore, assuming “fundamental” requirements for a modernized grid in rule could reduce the utilities’ ability to flexibly adapt their systems as technology changes and would lock utilities into the specific “fundamentals” until a new rulemaking could be opened. Finally, Public Counsel does not wish for any company or party to interpret the ‘fundamental’ requirement(s) of these rules as preapproval of any distribution investments. As a result, we do not support any inclusion of ‘fundamental requirements’.

- 6. **When utilities submit biennial energy conservation reports to the Commission, they are required to provide an independent third-party evaluation of their conservation program achievements (See WAC 480-109-120(4)(b)(v)). Should a similar periodic independent review and evaluation of distribution plan results be required? If not, please explain why this should not apply.**

34. Public Counsel is currently not certain whether third party evaluators are required for DSP. It is unclear how third party evaluators would contribute to this process, particularly given

the role of the advisory group and prudency review in the GRCs. We look forward to reviewing other stakeholder comments and discussions on this topic.

7. Should the distribution plan conclude with an action plan? If so, what should be the time horizon for the action plan?

35. Public Counsel believes the outcome of the DSP should be some form of recommendation of cost-effective option(s) to meet distribution system needs. However, Public Counsel does not believe that the action plan or the recommendation of cost-effective option(s) should be viewed as preapproval of distribution investments.


8. For the organization of WAC 480-100-238, would it provide greater clarity to reorganize the rule into smaller sections, maintain the same organization and numbering structure, or add a new rule section?

36. Public Counsel believes that the distribution planning should be a new rule section for clarity. Please see Attachment A for Public Counsel's recommendation on the new rule section.

V. CONCLUSION

37. Public Counsel appreciates the opportunity to provide comments on the Draft Rules and Notice questions. We look forward to reviewing other parties' comments and participating in further discussions on Distribution Planning. If there are any questions regarding these comments, please contact Carla Colamonici at (206) 389-3040 or at CarlaC@ATG.WA.GOV.

Dated this 17th day of May, 2018.


CARLA A. COLAMONICI
Regulatory Analyst
Public Counsel Unit