PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

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

RE: Docket U-161024—Pacific Power & Light Company's Comments on Draft Rules for Distribution System Planning—WAC 480-100-238

In response to the Notice of Opportunity to File Written Comments issued by the Washington Utilities and Transportation Commission (Commission) on April 17, 2018, Pacific Power & Light Company (Pacific Power), a division of PacifiCorp, submits the following written comments regarding distribution planning.

I. Introduction

Pacific Power appreciates the opportunity to provide comments on the draft rules for distribution system planning. New technologies and changing customer preferences are continuing to create opportunities for utilities to provide greater value and choices to customers. Pacific Power is committed to exploring these new technologies and innovative ways to reliably and cost-effectively meet our customers' needs.

Yet, as expressed in comments filed on November 2, 2016, Pacific Power reasserts the importance of separate processes for long-term planning on a system-wide basis and state-specific distribution system planning. Pacific Power's Integrated Resource Plan (IRP) is developed on a six-state integrated system basis; as such, requiring a Washington-specific distribution system plan that must be incorporated into the IRP process is problematic for an IRP that is developed on a least-cost, least-risk, system-wide basis. In addition, the timing and requirements of distribution system planning are unique and have a more specific focus. For example, distribution system planning may identify investment requirements outside of a biennial IRP cycle, and may include analysis of solutions that do not impact the long-term resource plan. In addition, it also performs a critical function to comply with evolving requirements of the North American Electric Reliability Corporation and to meet requirements associated with the Open Access Transmission Tariff to serve wholesale transmission load. Because of the unique requirements of the IRP and distribution system planning activities, Pacific Power strongly recommends that the planning processes be kept separate.

At the same time, distribution system plans and planning activities certainly will continue to inform the IRP, as it already does under the company's current processes. Pacific Power conducts a number of varied sensitivity cases during an IRP cycle and updates new technologies and assumptions for its supply-side resources. In the 2017 IRP, for example, Pacific Power conducted a sensitivity study to evaluate energy storage and flexible resources. It is important

for utilities to maintain flexibility in their long-term resource planning to update and study evolving resources and technologies. Other technologies, such as electric vehicle penetration, is considered in Pacific Power's load forecast data for its IRP process and private generation is studied by a third-party and used to reduce the load forecast for IRP purposes. Utility scale distributed generation such as energy storage technologies are included as available supply-side resources for the IRP portfolio optimization process to select. Pacific Power believes it is modeling these new and developing technologies appropriately in its IRP process and distribution system planning activities should remain separate.

II. Comments on Draft Rules

A. Response to the Commission's Questions for Consideration

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?

Pacific Power recommends that a state-specific distribution system advisory group should be optional or facilitated through a process separate from the IRP.

b. & c. What should be the extent and scope of the distribution system advisory group? 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?

As discussed in response to part a above, Pacific Power recommends that the distribution advisory group be a separate group from the IRP group. The distribution plan may inform the IRP, but it should be developed under distinct and separate processes with different time horizons for implementation. If a distribution advisory group were to be required, Pacific Power would propose that a distribution planning study kick-off meeting be held for stakeholders to provide input in to the distribution planning study process, and a subsequent study review meeting to discuss the results of the distribution analyses that resulted in projects in excess of $1 million. Specific customer requests would be out of scope for the distribution advisory group and would need to follow the appropriate tariff.

Underlying the distribution advisory group, Pacific Power has the responsibility to serve its customers and select the least-cost, least-risk distribution solution. As such, Pacific Power believes that the primary focus of the distribution advisory group would be to find innovation without hindering the ability to meet customer needs. To achieve that goal, Pacific Power would suggest that the distribution

advisory group participants be free of any conflicts of interest with regards to this focus.

In addition, Pacific Power already includes distribution efficiency improvements when identifying and pursuing all cost-effective conservation. Pacific Power would like to further understand what the Commission envisions how this new distribution system plan will intersect with the existing conservation framework. Depending on how this impacts existing conservation efforts, it may be challenging to manage planning and reporting through two separate processes, especially if the two processes are not aligned in terms of timing.

d. Is the draft description of the distribution planning advisory group's membership appropriate?

Pacific Power believes that the description articulated in the draft rules appropriately allows for the participation of stakeholders that have an expertise and interest in a possible distribution planning advisory group. To the extent that advisory group is a public and open group, certain information will need to be kept confidential to protect customer interests.

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?

A dollar limit is useful in defining a "major distribution capital investment" and Pacific Power believes a threshold of an estimated capital cost of over $1 million is reasonable to ensure the projects are of a significant size where distributed energy resource solutions should be considered as an option. Suggested additional criteria would be to only include non-customer requested projects. Customer-driven load addition projects typically involve a critical construction timeline that might reduce or eliminate the ability to consider potential distributed energy resource solutions.

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?

Pacific Power recommends that the Commission consider a regular reporting requirement and that again it be separate from the current biennial IRP cycle. Pacific Power currently submits an annual electric service reliability report under WAC 480-100-393 and WAC 480-100-398, and proposes that a distribution planning report could be included as part of an annual or biennial review of reliability metrics and updates. This would allow the Commission a forum to review the company's distribution plans and any progress made on projects identified in previous years, and also provide the Commission and other stakeholders an opportunity to provide utility-specific feedback to the company.

b. Is there specific language that would optimize the combined goals of flexibility and timely implementation?

The Commission could codify language describing the minimum content required in each report. Pacific Power envisions a forward-looking report that provides an overview of the company's distribution system, a description of any major distribution investments that are needed, new technologies evaluated or deployed, estimated project costs and any operational savings, impact to the company's system and reliability, and an analysis of alternative solutions considered. In subsequent reports, the reports could include a status update on previously reported projects.

c. How should pilot and demonstration projects be encouraged in rule?

As part of the process to review utility plans in the regular reports, the Commission could encourage pilot and demonstration projects by providing input and guidance. Once the company makes the decision to move forward with a project, the Commission could also review the specifics of the project within the normal advice filing process. To the extent that the Commission would like to encourage pilot and demonstration projects that are new or evolving technologies, there should also be an understanding that not every pilot project will be successful and that utilities will not be unduly penalized for projects that do not deliver the expected outcomes.

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?

As with any investment, utilities should weigh the costs, risks, and customer benefits of a pilot or demonstration project that are incremental to a traditional upgrade or repair. As technologies and choices modify, the criteria should incorporate new options and approaches, so utilities should have such flexibility, but be obligated to convey how that innovation modifies their processes and criterion. The opportunity to learn and provide education regarding a new technology should also be considered.

5. a. – d. 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 two-way distribution communication system, a distribution management system (DMS) that provides centralized and automated monitoring and control of the utility's distribution system, a distributed energy resources management system (DERMS) that aggregates, monitors and controls distributed energy resources as dispatchable resources, or, other physical infrastructure and software needed to manage and control a modernized grid?

Pacific Power believes that the new technologies identified here will play an important role in the evolving energy industry and providing greater support for our customers. However, Pacific Power recommends that the rule not identify specific fundamental requirements for enabling a modernized grid. Pacific Power needs the flexibility to choose the appropriate technological solutions to best meet the needs of its customers while minimizing any increase in costs. Specifying or requiring certain technologies may not reflect a modernized distribution system that best balances the needs of customers.

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.

Pacific Power does not believe an independent third-party review of the company's distribution plan should be required. While the Commission certainly has broad authority to set requirements for utilities, this would be a very costly endeavor. The third-party consultant would need to have intimate knowledge of each utility's distinct distribution systems and understand the unique qualities of their respective service areas. The third-parties that have this expertise are not common and such a review would place a costly burden on a utility and its customers.

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

Pacific Power recommends that the Commission not adopt an action plan at the conclusion of the distribution plan. However, if a distribution action plan is to be included in the distribution system plan, it should not be incorporated into the IRP action plan. It should be recognized that the timeframe for many distribution investments are dissimilar to that of an IRP action plan. For example, a distribution feeder project time horizon can be measured in weeks and a distribution substation project in months. These short durations allow for the underlying base assumptions to develop before committing to the expenditure and reduce the variability observed at a distribution feeder level.

Both of the time horizons for current distribution planning studies (distribution feeders) (five years) and area planning studies (distribution substation and sub-transmission) (10 years) are shorter than the IRP 20-year study period and the 10-year capital investment timeframe proposed in the draft rules. The company currently reviews its distribution capital plan and adjusts the timing of distribution capacity investments on an annual basis, with further adjustments throughout the year as needed. Because the design and construction of some distribution system improvements can have a timeline of as little as six months, the identified projects in a distribution plan would need to maintain this current flexibility to implement when the system need arises or avoid committing to a capital investment before there is an actual system need.

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?

Pacific Power strongly recommends that a new and separate rule section for distribution system planning should be added rather than rolling it into the existing WAC 480-100-238 Integrated Resource Planning rules as presented in the draft rules.

III. Additional General Comments

In the Purpose section of the draft rules, "conservation and efficiency resources" is listed as one of the items that the plan will identify and develop. Conservation, as defined in WAC 480-109, already includes increases in efficiency. Pacific Power recommends striking "and efficiency" or referring to the definition of conservation within WAC 480-109 to minimize any confusion.

In addition, Pacific Power believes that the definition for "demand response" in the draft rules may be too restrictive. The company recommends that the definition more closely align with the definition that was developed by the Northwest Power and Conservation Council's Demand Response Advisory Committee, which is provided below:

> *Demand response is a non-persistent intentional change in net electricity usage by end-use customers from normal consumptive patterns in response to a request on behalf of, or by, a power and/or distribution/transmission system operator. This change is driven by an agreement, potential financial, or tariff between two or more participating parties.*[1]

Pacific Power has further concerns regarding the introductory language proposed in the first section describing the purpose of the rules. This section describes how the proposed distribution system plan "will assist in identifying and developing…(4) related infrastructure to meet the state's energy needs." Pacific Power has concerns specifically regarding the reference to "meet the state's energy needs" which should be specific to the utility and the needs of its customers rather than the state as a whole.

IV. Conclusion

Pacific Power is committed to implementing new technologies in its distribution system in a manner that provides greater value and opportunities for customers. Pacific Power is eager to continue working with the Commission and stakeholders to leverage these new technologies in our distribution system. However, folding distribution planning into the overall IRP process presents difficulties for both the IRP process and the distribution planning process.

Pacific Power appreciates the opportunity to comment and continues to be actively involved to support the Commission's efforts to create a distribution planning process that supports the needs of our customers. Pacific Power's comments have attempted to address the issues raised by the proposed rules at a high level, however has not identified all areas of concern regarding draft rule language in this set of comments and anticipates that further revisions to the draft rules would be necessary. As a result, Pacific Power encourages the Commission to schedule another workshop on this topic to further discuss and address areas of concern in the draft rules, and also to identify areas of possible consensus.

Please direct inquiries to Ariel Son at (503) 813-5410 or ariel.son@pacificorp.com.

Sincerely,

/s/

Etta Lockey
Vice President, Regulation
Pacific Power & Light Company
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
etta.lockey@pacificorp.com
(503) 813-5701

[1] https://www.nwcouncil.org/energy/dr/drac-home/.