

Cascade appreciates the opportunity to provide comments on the draft rules for WAC 480-107, as outlined in the August 24<sup>th</sup> Notice of Opportunity to File Written Comments. Below please find an outline of the items discussed, along with Cascade's comments.

**ITEM #1: Natural Gas** The proposed draft rules apply to electric utilities only. Should the Commission propose similar competitive procurement rule language for natural gas utilities? How would the competitive procurement rules for natural gas utilities need to be different than those for electric utilities? Should there be similar language for natural gas conservation and delivery services procurement?

**Cascade Response:** Ultimately, maintaining program stability and cost-effectiveness to ensure a foundation for the continued success and growth of its programs is the Company's priority. Additionally, the Company asks the Commission to remain mindful of how variations in service territory makeup (prevalence of rural vs urban for instance) and utility structure (single fuel vs dual fuel) drive a need to permit flexibility while promoting creativity to accommodate Energy Efficiency program needs and structures.

**ITEM #2: Language Request** To the extent possible, commenters should provide example language for consideration throughout the document. Stakeholder input on the precise language used, in the form of a redline response, would be particularly helpful in the following instances.

- a. Is the language in the draft rule at WAC 480-107-015 sufficient to require an all-source RFP for most resource needs, while allowing sufficient flexibility in the process to allow limited scope RFPs when they are most useful?

**Cascade Response:** Regarding WAC 480-107-015 (5): "A utility must submit to the commission a proposed RFP and accompanying documentation no later than one hundred thirty-five days after the utility's integrated resource plan is due to be filed with the commission. Interested persons will have sixty days from the RFP's filing date to submit written comments to the commission on the RFP. The commission will approve, approve with conditions, or suspend the RFP within thirty days after the close of the comment period." The Company notes the timeline allowed for public comment (60 days) from an RFP filing plus the additional 30 days for Commission response to an RFP makes it difficult for program implementation to occur in a timely manner should updates need to be made to the Energy Efficiency/Conservation programs. This does not include response time from bidders and review by the utility of RFP responses, which ultimately could require the RFP process to become far more time consuming and less able to accommodate immediate program needs.

- b. In WAC 480-107-035(3) the draft contains the term net benefits. Language around this concept has been evolving recently. Would using a different phrase, such as costs and benefits, or impacts, be clearer?

**Cascade Response:** Cascade has no issues related to the usage of net benefits, but does wish to comment on WAC 480-107-035 (5). Cascade is concerned that a 5 day timeframe may not leave sufficient time for the utility to make available for public inspection a summary of each project proposal on the Company's website

**ITEM #3: RFP timing** In order to accommodate long lead-time resources, such as non-wires alternatives for distribution needs or distributed generation for capacity needs, the commission has considered

expanding the window of time in which a resource need triggers an RFP from three years to ten years. Under the previous guideline, by the time a utility solicits bids for a need, many resources with lead times longer than three years are no longer eligible to compete.

While there is good reason to use the longest lead-time resource as a guide for this rule, the extended time frame to solicit bids to meet needs also creates significant challenges. Integrated resource plans are less accurate at ten years than at three. Utilities may be issuing RFPs for a need that never materializes. A resource should not be built until it will be used and useful and thus, if a long lead time resource is not chosen, this may require a utility to issue a second RFP to identify the lowest cost resource when it comes time to build. This would result in additional cost and effort and could lead to vendor fatigue.

Is there a way to ensure long-lead time technologies have an equal opportunity to meet resource needs anticipated ten years out without requiring RFPs at such an early stage?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #4: Thresholds for exemption** In the proposed draft language for WAC 480-107-015(3) there are thresholds and circumstances that would exempt utilities from issuing an RFP without requesting an exemption.

- a. Are the thresholds proposed appropriate?
- b. Are there other circumstances appropriate to qualify for exemption from the rule?
- c. Are there other types of thresholds that should be incorporated for these resource needs?
- d. What other types of resources would benefit from a threshold?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #5: Delivery System RFP** On May 17, 2018, the Commission received comments on draft rules related to distribution system planning (WAC 480-100-238). These comments are in the process of being evaluated. The proposed draft rules for RFPs are intended to ensure investments are being made at the lowest reasonable cost and that new technologies are allowed to compete on equal footing with standard practice. As these two parts of the proposed IRP rule evolve, the areas of overlap and interdependency will be continually reconciled.

- a. With this in mind, should the proposed definition of Resource Need include local transmission and distribution needs?
- b. The proposed draft language in WAC 480-107-015(3)(e) identifies an automatic exemption from the rule for distribution system or local transmission projects that are projected to cost less than \$10 million. Should the term “project” be replaced with “Major distribution capital investment” as defined in the proposed draft rules for WAC 480-100-238 to clearly connect the two rules? If not, what would be a reasonable definition of project in this case?
- c. In the notice accompanying the draft distribution system planning rules, the Commission asked for criteria to consider when defining a “Major distribution system capital investment.” In the proposed draft RFP rules, a similar set of criteria could be used to allow an automatic exemption from the rule to relieve the burden of issuing an RFP for smaller projects identified in

a distribution system plan. Is a \$10 million threshold appropriate? Would a threshold that is not cost-based be more appropriate for delivery system resources? If so, what should be the criteria of this threshold?

d. Are there other circumstances concerning the delivery system that are appropriate to qualify for exemption from the RFP rule?

e. Some commenters on the draft distribution system planning rules suggested a utility-specific criteria, approved by the Commission or with input from an advisory group. Many other commenters suggested flexibility in the distribution system planning rule. The draft RFP rules propose a utility-specific framework for conservation RFPs. Would a similar framework be useful for delivery system RFPs? If so, what would the process of developing, approving, and renewing the framework entail?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #6: Reliance on the Market** In order to reduce the need for exemptions and to allow resource needs to be covered by short-term market purchases without additional process, the proposed rules rely on a third-party determination of regional resource adequacy. This is not intended to eliminate the need for a utility to perform its own resource adequacy assessment within an IRP and has no bearing on the determination of market risk. In this version, the Commission has chosen to reference the Northwest Power and Conservation Council's resource adequacy assessment.

- a. Are there other third-party sources that would be more appropriate to reference?
- b. Are there other methods that are easier, more transparent, or more accurate than relying on third-party analysis?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #7: Independent Evaluator** The draft rule WAC 480-107-AAA requires the use of an independent evaluator under certain circumstances.

- a. Does this section identify the proper circumstances or are there other circumstances under which an independent evaluator should be required?
- b. Is there value in requiring an independent evaluator for large projects when a utility will not be bidding? If so, is a 50 megawatt resource need an appropriate threshold?
- c. Does this subsection provide enough specificity concerning the independent evaluator's role, or is additional rule language needed?
- d. Should the Commission require that the independent evaluator be certified or accredited? If yes, provide specific qualifications the independent evaluator should possess.

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #8: IE Report** The draft rules require an initial and then a final report from the independent evaluator. We envision the final report to be the initial report plus the evaluator's response to the reconciliation process and stakeholder comments. The purpose of this two-step process is to ensure that the evaluator's report is free from editorial influence.

However, we recognize that a two-step reporting process will increase the cost and length of the independent evaluator's review. Could the Commission require the reconciliation process to occur prior to the issuance of a single final report and still ensure that the evaluator's work is free from outside influence?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #9: Conservation RFP** A periodic conservation RFP issued to explore what is available in the competitive market is useful to confirm that conservation resources are being delivered at least cost to ratepayers, and that all cost-effective conservation is being pursued by helping to identify innovative approaches and technologies. However, since utility conservation programs operate on a different cycle than the IRP, tying conservation acquisition directly to the IRP schedule could make program planning unworkable.

**Cascade Response:** Demand Side Resources are examined and planned for in both the Company's IRP, and its Conservation Plan. Any RFP requirements would need to specify whether timing of resource procurement would be based from the acknowledgment of the IRP, or of approval of the Conservation Plan.

a. Does the proposed rule language in WAC 480-107-015(3)(d) and WAC 480-107-065 adequately encourage competitive procurement of conservation resources without negatively affecting current program planning and implementation?

**Cascade Response:** The proposed language *potentially* encourages competitive procurement of conservation resources without negatively affecting current program planning and implementation. However, the Company seeks further clarification on some of the language within the proposed rule.

Section 3a under WAC 480-107-065 states as Option 1 that "A utility achieves at least thirty-three percent of the utility's conservation and efficiency resource program savings each biennium through competitively procured programs." It is unclear if this means that each biennium, programs that are responsible for obtaining a third of the Company's total conservation savings would need to go out to bid unless one of the other two options offered in the rule was accepted; or if the Company does not need to go out for further bid under this option, unless the Company achieves less than a third of its anticipated savings.

The Company would be amenable to the second option, "A utility solicits competitive proposals for each conservation and efficiency resource program in the portfolio at least every six years," as this would help the Company more effectively plan for a potential transition if needed and help mitigate vendor fatigue and a loss of customer and trade ally confidence that could result from excessive changes to program operations.

Finally, Cascade seeks clarification on the mandate that third party oversight of the bidding process be used where the Company or a subsidiary is proposing to provide conservation services. Would this mean that in order for conservation programs to begin or continue in-house operation, an additional third party evaluator would need to be hired in order for this to be allowed? This process could have the negative consequence of adding overhead to a program which affects the cost-effectiveness as well as the DBtC (Direct Benefit to Customer) ratio, which per Staff's direction should ideally be 60% benefit to

the customer to 40% other costs. Additionally, WAC 480-107-135 (3) notes the utility would need to bid to perform all work internally and would have separate staff developing the RFP as those responding to the bid. Many utility programs operate under tight staffing criteria to reduce overhead and would be unable to provide separate subject matter experts within the Energy Efficiency department to both release an RFP and then develop a separate bid.

b. The proposed language describes a role for the advisory group that is not currently explicit in rule, approving a framework for issuing conservation RFPs. Does this advisory group role fit with the current function of the conservation advisory group? The proposed rule specifies the competitive procurement framework must receive the support of the advisory group. Is this a reasonable condition?

**Cascade Response:** The Company engages closely with its Conservation Advisory Group (CAG) in the development and circulation of Requests for Proposal for DSM support services such as program evaluations, conservation potential assessments, and rebate tracking solutions. This process is transparent and done with the oversight of the CAG and Staff. The Company therefore agrees that engaging with the CAG on the design of a conservation RFP is appropriate, and consistent with current practices. Related to the CAG, Cascade has the following comments on Option 3 of WAC 480-107-065:

(c) Option 3. A utility develops a competitive procurement framework in consultation with their conservation advisory group, as described in WAC 480-109-110 Conservation advisory group.

**Cascade Response:** This is consistent with current practices taking place between Cascade and our Conservation Advisory Group.

If a utility develops a competitive procurement framework:

- (i) The framework must define the minimum proportion of the utility's budgeted conservation and efficiency resource programs that must be submitted for competitive bidding over a specified time frame;

**Cascade Response:** Breaking out savings by minimum proportions is not consistent with the current practices of acquiring savings via a conservation rebate program that is divided into residential, C&I, and low income sectors. If a framework was developed, it would be better to work with the CAG to draft specific criteria for when competitive bidding to achieve savings via rebate programs in each of these specific *sectors* should take place.

- (ii) The utility must document that the framework was supported by the advisory group;

**Cascade Response:** The Company seeks clarification on what this documentation would look like, and the timeframe for filing this material.

- (iii) The framework must be filed as an appendix to each biennial conservation plan, as described in WAC 480-109-120 Conservation planning and reporting; and...

**Cascade Response:** Ultimately, consistency in the process for making changes to program design and operation will be essential to ensure program stability and success. Cascade would like to see further discussion as to whether the framework would need to be updated on a biennial basis, or changed only if proposed adjustments to the framework were requested by Staff, the Company, or a member of the Conservation Advisory Group. Finally, Cascade would like clarification regarding the framework requirements necessary if the Company selected the second option, allowing RFP circulation “at least every six years.”

(iv) The first competitive procurement framework for conservation and efficiency may be filed with the 2020-2021 biennial conservation plan.

**Cascade Response:** Please clarify the framework requirements necessary if the Company selected the second option, allowing RFP circulation “at least every six years.”

c. Do the minimum procurement percentages provide reasonable guidance in the development of a competitive procurement framework for conservation?

**Cascade Response:** It is important to emphasize that the Company does not procure Demand Side resources in the same way that it procures Supply Side resources. Instead, energy efficiency is obtained directly through Cascade ratepayers who reduce their energy consumption via the purchase of energy efficiency upgrades and equipment (weatherization, high-efficiency natural gas furnaces, etc.). These savings are “purchased” from the customer via a rebate for tariff approved measures. A conservation vendor’s role is to promote and facilitate customer awareness of the Company’s Weatherization Incentive Program. However, the Company has not contracted with Energy Services Companies (ESCO’s) charged with the procurement of specific on-site energy reductions. Instead, savings are achieved on a portfolio level, broken out by section (commercial/industrial, residential, and low-income). In each case, savings are calculated based on the anticipated therm savings of specific tariff-approved measures incentivized via rebate. Therefore, it is not organic to the operation of the Company’s energy efficiency programs to seek ongoing bids for procurement of a third of the Company’s total energy savings.

**ITEM #10: Procurement Outside of an RFP** Utilities often have opportunities to procure low-cost resources that are owned by entities that typically will not bid their resources into an investor-owned utility RFP, but will enter into contracts with the IOUs. These types of opportunities can also require the construction of complex components that do not lend themselves to a bid in an RFP. Contracts such as these require proactive behavior from the investor-owned utility outside of the RFP. How can the Commission ensure that utilities are pursuing these low cost opportunities available outside of an RFP? How can this idea be incorporated in rule?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #11: Evaluation Transparency** One goal of this rulemaking is to increase transparency of the RFP evaluation process. In PSE’s recent RFP in Docket UE-180271, several commenters supported applying a weighted percentage to each criteria in order to give bidders an idea of the relative importance of those criteria and make the evaluation process more transparent. However, the utility expressed concerns that providing weighting information creates the potential for bidders to “game” the system. Proposed draft rule 480-107-025(4) requires RFPs to “include a sample evaluation rubric that quantifies the weight

each criterion will be given during the project ranking procedure.” What are the implications of this language?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #12: Two Stage Bidding** In the first round of comments, the Northwest and Intermountain Power Producers suggested that the Commission require a two-stage bidding process to address the inherent utility preference to own a generation asset. First, all utility-owned generation bids are made, and then purchase power agreement bids are informed of the target price and provided an opportunity to beat the first round of bids. Please discuss the advantages and disadvantages of this approach including whether the bidding structure proposed creates asymmetrical bidding opportunities between IPPs that offer power purchase agreements and those offering to sell their generation. How should the sequence of bid offers be designed if the IPP is offering two differently structured offers for the same project, one that is PPA and one that is a contract with transfer of ownership?

**Cascade Response:** Cascade has no comments regarding this item at this time.

**ITEM #13: Resource Need Definition** In the proposed draft rules the previous definition of resource block that focused solely on capacity has been replaced with a definition of resource need. This new definition is intended to capture all types of system deficits that may benefit from competitive procurement for example: capacity and associated energy, capacity needed to meet peak demand in any season, FERC-jurisdictional operational requirements, distribution plant investment, or resources required for regulatory compliance, such as renewable resources or cost-effective conservation and efficiency resources. Should the proposed definition of Resource Need above include specific resource needs that should be subject to competitive bidding? If so, what should be included in that list?

**Cascade Response:** Cascade has no comments regarding this item at this time.

This concludes Cascade’s comments.