

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

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

DOCKET NO. U-161024

INITIAL COMMENTS OF PUBLIC COUNSEL

November 2, 2016

I. INTRODUCTION

1. Pursuant to the Commission's Notice of Opportunity to File Comments, dated September 6, 2016, Public Counsel submits the following comments. These are initial comments, and Public Counsel looks forward to developing recommendations and participating in discussions regarding the topic areas the Commission has identified for this rulemaking docket and those raised by stakeholders. Public Counsel appreciates the Commission's efforts to examine whether changes to the Integrated Resource Planning (IRP) and Request for Proposals (RFP) rules are warranted, especially given technological advancements in recent years that may impact utility resource planning. We look forward to participating in this proceeding.

**II. COMMENTS ON COMMISSION-IDENTIFIED QUESTIONS FOR
CONSIDERATION**

A. General.

1. **The Commission has identified a broad scope of issues to evaluate in its inquiry. Are there other issues or topics that should be addressed?**

2. Public Counsel has identified a short list of additional topics that we believe would be beneficial to address in this inquiry. These topics are identified below grouped according to the appropriate rule:

PUBLIC COUNSEL'S INITIAL COMMENTS
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- a. **WAC 480-100-238, WAC 480-90-238: “Integrated Resource Planning.”**

(1) **Should a utility be required to identify a base case in its IRP?**

3. Public Counsel is aware of recent discussions in IRP advisory groups concerning whether a utility should be required to identify a base case in its IRP. It would be helpful to address this issue in this docket and consider the implications of not identifying a base case in the IRP. It would also be helpful to clarify stakeholder definitions of “base case.” For example, some parties may be using “base case” and “preferred portfolio” interchangeably. Public Counsel believes a utility should clearly identify in its IRP the plan it sees as most likely to meet future needs at the point in time its IRP is filed.

- b. **WAC 480-107: “Purchases of Electricity from Qualifying Facilities and Independent Power Producers and Purchases of Electrical Savings from Conservation Suppliers.”**

(1) **Should a utility be prohibited from restricting bidding on an RFP?**

4. Public Counsel believes the RFP rules should be modified to state that a utility may not restrict bidding on an RFP by using an “invite only” approach that only allows organizations that are explicitly invited by the Company to bid on the RFP. In Public Counsel’s view this unnecessarily restricts the bidding pool and diminishes the robustness of the RFP process. Public Counsel recommends an open process that allows all qualified bidders to participate. We believe this topic would be a valuable addition to the list of issues in this docket.

(2) **Should the RFP rules provide additional clarity on requirements for “self-build” options in the RFP process?**

5. In the Procedural Rules Rulemaking, Docket A-130355, Public Counsel made suggestions to refine the RFP rules.¹ We reiterate those recommendations here. Under WAC 480-107-015(2), a utility may participate in its own RFP bidding process as a power supplier, on conditions described in WAC 480-107-135. WAC 480-107-135 states in full:

(1) The utility, its subsidiary or affiliate may participate in the utility's bidding process. In these circumstances, the solicitation and bidding process will be subject to additional scrutiny by the commission to ensure that no unfair advantage is given to the utility's subsidiary or affiliate. Commission scrutiny will ensure that ratepayer interests are protected.

(2) As part of its RFP, a utility must include specific notice if it intends to submit a bid or intends to allow its subsidiaries and affiliates to participate in its bidding process. The utility must indicate in its RFP how it will ensure that its subsidiary or affiliate, through association with the utility, will not gain an unfair advantage over potential nonaffiliated competitors. A utility's disclosure of the contents of an RFP or competing project proposals to its own personnel involved in developing the utility's bid, or to its subsidiary or affiliate prior to such information being made public will be construed to constitute an unfair advantage.

(3) The commission may not allow a utility to recover in its rates all or part of the costs associated with the utility's project, or a subsidiary's or affiliate's project(s), if any unfair advantage was given to any bidder.

In Public Counsel's experience these requirements have not always been followed by utilities in practice. We recommend that the rules clarify that if self-build options are compared to RFP bids, the notice and additional scrutiny required in WAC 480-107-135 should apply and should be addressed in the original RFP filed with the Commission. We believe this topic would be a valuable addition to the list of issues in this docket.

¹ *Rulemaking to Consider Possible Corrections and Changes in Rules in WAC 480-107 Relating to Procedural Rules*, Docket A-130355, Initial Comments of Public Counsel at 5-7 (May 17, 2013).

2. What type of schedule would best lend itself to a proceeding of this scope?

6. Public Counsel appreciates that the breadth of issues covered by this proceeding is fairly extensive, and as such, may require up to two years before new revised rules are adopted. It will likely be beneficial and most efficient to organize future comments and workshops by technical topic area, to allow for participation by utility staff and stakeholders with expertise in a given area (e.g. distribution planning, avoided costs).

B. Energy Storage.

1. The Commission has already engaged in an investigation regarding energy storage technologies and their treatment in IRP documents (Docket UE-151069). The Commission is considering merging that investigation with this proceeding, then issuing a straw proposal and soliciting one more round of comments before issuing a policy statement on the topic. Do the parties have any concerns with this approach? Is there any information relative to modeling energy storage that has not been presented in the existing docket?

7. Public Counsel was not actively involved in the investigation regarding energy storage technologies and its treatment in IRP documents due to resource constraints, however, we believe it is a reasonable approach to merge that investigation with this proceeding and issue one more round of comments on a straw proposal. Public Counsel is not aware of any additional information relative to modeling energy storage that has not been presented in the existing docket; however, we look forward to hearing from other parties with expertise on modeling energy storage as to whether there may be additional information that could benefit the investigation.

C. Requests for proposals.

1. WAC 480-107-015 requires any utility that files an IRP identifying a generation capacity shortfall within the next three years to issue a request for proposals (RFP) within 135 days of filing its IRP. In recent IRP cycles, utilities have frequently requested waivers of this rule, generally citing the cost and complexity of the RFP process and stating that the IRP selected market purchases as the low-cost, preferred approach to meeting short-term capacity needs. Given the frequent requests for waivers of this rule, should

the Commission change it? What type of changes would parties recommend to make the rule more broadly applicable and reduce the need for waiver requests?

8. Public Counsel sympathizes with the argument that the RFP is costly and complex. However, we believe the benefits of the RFP process weigh in favor of maintaining the rule as it is currently written. Even when the IRP selects market purchase as the least-cost, preferred approach to meeting short-term capacity needs, it is important to remember that the IRP is a forecast of resource additions that look like they will be cost-effective in the future, given what is known about the future at the time the IRP is developed. The RFP is where actual costs are confirmed. Bidders to the RFP may propose a variety of energy resources to meet the need identified in the IRP. Allowing the utility to avoid the RFP process in all cases where market purchases are selected in the IRP model could deprive customers of the benefit of additional least-cost options that may be presented to respond to capacity needs.

2. Utilities state that the RFP process is time-consuming and complex, and does not lend itself to a biennial cycle. Are there alternative means of meeting the rule's requirement? Would narrowly crafted solicitations that are tailored to the specific resource needs identified in the IRP be an effective way of reducing administrative burden and costs, while still encouraging bidders to provide the utility with a range of resource options?

9. As discussed in response to the preceding question, Public Counsel believes that allowing bidders to provide the utility with a range of resource options is essential. However, the existing rule does provide utilities with the ability to craft more narrow solicitations. WAC 480-107-015(4) states in part: "In addition to the solicitation process required by these rules, a utility may, at its own discretion, issue an RFP that limits project proposals to resources with specific characteristics." We look forward to reviewing comments from stakeholders on this issue to consider whether any further rule refinements may be appropriate.

3. **In considering the waiver requests to this rule, Commission staff and utilities have been at odds whether the IRP actually identified a resource shortfall in the following three years. Staff has generally held that if the IRP model relies on market purchases for capacity needs, then the utility is short on capacity; utilities have generally held that if the model selected market purchases, then the resource need has been cost-effectively met. Is there a potential compromise on this issue? Could improved modeling of market risk in the IRP increase confidence in the model's determination? How might market risk be modeled?**

10. According to WAC 480-107-015, if the IRP identifies a need for additional capacity within three years, the utility is required submit an RFP within 135 days. There are no distinctions or exceptions stated in the rule for market purchases or other resources. Public Counsel therefore supports the Commission Staff interpretation that regardless of whether the IRP model relies on market purchases to meet a capacity shortfall, there is still a capacity shortfall, which thus requires the utility to issue an RFP. The compromise on this issue is that the utility may seek a waiver of the RFP rule, should it believe no RFP is necessary given that the IRP model relies on market purchases for capacity needs.

11. With respect to whether there may be value in modeling market risk in order to increase confidence in the IRP model, Public Counsel supports efforts to explore risks associated with the availability of market resources to meet load, and there may indeed be added value associated with this concept. However, there are also challenges that have arisen with utility market reliability risk methodologies. For example, Puget Sound Energy (PSE) proposed a market risk methodology in its 2015 IRP that was met with a number of stakeholder concerns. In its comments in the 2015 IRP docket, Public Counsel cautioned that PSE's market risk methodology should be sure to rely on the most recent studies on the availability of regional

capacity.² In addition, Industrial Customers of Northwest Utilities (ICNU) pointed out that PSE's methodology included relying on a capacity contribution factor for market purchases that is much less reliable than a typical thermal facility, even though bilateral power markets have proven to be a reliable source of capacity in the Northwest. Another concern raised was that market risk was already modeled in the Company's resource adequacy model, which serves to double-count the impact of market risk.³ Public Counsel is open to the concept of modeling market risk and is optimistic about the benefits this may provide, however, additional work may be necessary to improve methodologies.

4. **Conservation is currently included in WAC 480-107-015. Should the commission require utilities to issue RFPs for conservation measures and programs on a regular basis? If so, should RFPs be issued in conjunction with the IRP cycle or the biennial conservation planning cycle described in WAC 480-109-120?**

12. Public Counsel agrees with the statement in the Notice that utilities are already required to issue RFPs for conservation measures under WAC 480-107-015(3)(b). The Commission recently acknowledged this requirement and waived PSE's requirement to file an RFP for conservation associated with the Company's 2015 IRP due to the fact that the utility had already recently issued an RFP.⁴ Furthermore, in practice, at least some utilities issue RFPs for conservation measures as part of the established procedure for setting biennial conservation targets and acquiring conservation resources. For example, in 2015, PSE issued two RFPs for

² *In re Puget Sound Energy Seeking Temporary Exemption from the Provisions of WAC 480-90-238(4) and WAC 480-100-238(4) Relating to and Permanent Modification of the Timing of IRP Filings*, Dockets UE-141170 and UG-141169, Public Counsel Comments on Puget Sound Energy's 2015 IRP at 3 (Feb. 1, 2016).

³ *In re Puget Sound Energy Seeking Temporary Exemption from the Provisions of WAC 480-90-238(4) and WAC 480-100-238(4) Relating to and Permanent Modification of the Timing of IRP Filing*, Dockets UE-141170 and UG-141169, Comments of Bradley Mullins on behalf of ICNU on Puget Sound Energy's 2015 IRP at 6 (Feb. 1, 2016).

⁴ *In re Puget Sound Energy's Petition for Exemption from Filing Certain Request for Proposal Requirements under WAC 480-107-015(3)(b)*, Docket UE-160387, Order 01 (May 27, 2016).

energy efficiency programs. These were issued in June in order to allow sufficient time to evaluate responses and implement programs in 2016 for the biennium.⁵ In addition to the WAC requirement, PSE maintains a compliance checklist for its CRAG which includes issuing an RFP for conservation. Public Counsel understands that PSE's next RFP for conservation measures will be issued by June 30, 2017, for the 2018-2019 biennial conservation cycle.

13. To the extent there is any question or dispute as to whether WAC 480-107-015 applies to conservation measures, Public Counsel would support clearly requiring this by rule. Public Counsel believes it makes the most sense for RFPs to be issued in conjunction with the biennial conservation planning cycle because it is under this framework that the utility must meet its conservation compliance obligation under the Energy Independence Act (EIA).

D. Avoided Costs.

1. **Avoided costs are used by utilities in multiple applications. They are used for determining rates for qualifying facilities in compliance with the Public Utility Regulatory Policy Act (PURPA), they are used for identifying cost-effective conservation measures, and they are used in determining the incremental cost of resources used for complying with the state's renewable portfolio standard. Despite their ubiquitous use, however, avoided costs can be difficult, if not impossible, to identify in current utility planning. Would it be feasible and beneficial for the utilities to transparently report their avoided costs in the IRP document? What obstacles exist that would complicate such a report? Would it be possible to create a generic avoided cost calculator that could be used to generate avoided costs for various applications? Should the included elements of avoided costs be different for different applications? Is the avoided cost methodology different for natural gas distribution utilities?**

14. Public Counsel supports efforts to improve transparency in the IRP process as this increases stakeholder ability to participate effectively. In that vein, Public Counsel believes that clearly documenting and reporting the avoided costs in the IRP document would be very beneficial. We recognize that avoided costs are dynamic and change over time, and that

⁵ *In re Puget Sound Energy's Petition for Exemption from Filing Certain Request for Proposal Requirements under WAC 480-107-015(3)(b)*, Docket No. UE-160387, Order 01 at 5 (May 27, 2016).

calculation of avoided costs varies to some degree depending on its purpose. Nevertheless, if some type of generic avoided cost calculator could be developed, as mentioned in the Notice, that too would greatly improve the transparency of the IRP process, and the avoided cost calculation in particular.

E. Transmission and Distribution Modeling.

- 1. The IRP rule requires utilities to conduct “an assessment of transmission system capability and reliability” and “a comparative evaluation of energy supply resources (including transmission and distribution)” How are utilities currently meeting these requirements in their IRPs? Has modeling software advanced in a way that might allow for a more detailed analysis of transmission and distribution systems?**
- 2. To what degree are utilities currently planning for distribution system impacts such as electric vehicles, changes in end uses, and distributed generation? Are there opportunities for utilities to improve their modeling related to these issues without overly burdening the planning process?**

15. With further deployment of distributed generation and greater penetration of electric vehicles, transmission and distribution system modeling and planning are likely to become increasingly important for utilities, as discussed below. We recognize that utility reliability reports may contain some distribution planning analysis, but more detailed analysis and modeling might be possible. Public Counsel looks forward to reviewing comments from the utilities and other stakeholders on this topic.

- 3. The Commission’s rule requiring smart grid reports, 480-100-505, is scheduled to sunset this year absent an order from the Commission requiring utilities to consider filing the reports. What has the experience of utilities been in filing these reports? Would there be value in extending this requirement? Is there a way to address the Commission’s desire for information on this topic through the IRP?**

16. Public Counsel does not have a firm position at this time regarding whether the Commission should extend the smart grid reporting requirement. We believe these reports have provided a beneficial long-range view of utility plans and progress in achieving smart grid

investments, and the relevance of smart grid to utility planning does not appear to have waned.

We note that the smart grid report rule does allow for the utility to incorporate by reference information that is already included in other reports such as the IRP. WAC 480-100-505(6) states: “To the extent that some of the information required or allowed to be included in the report also is included in other reports, such as the utility's most recent integrated resource plan, the utility may incorporate that information by specific reference.”

17. There may also be components of smart grid reporting that are already encompassed in utility reliability reports required under WAC 480-100-398 or could be merged into utility reliability reports.

4. The natural gas IRP rule requires plans to include “an assessment of pipeline transmission capability and reliability and opportunities for additional pipeline transmission resources,” but is silent on distribution system modeling. To what degree are gas utilities currently engaged in modeling their distribution system? Would it be beneficial for utilities to further engage in distribution system modeling? If so, is there commercially available software that is capable of meeting these modeling needs?

18. Public Counsel has no initial comments for this topic, but may have comments in response to other stakeholder comments or further inquiries from the Commission.

5. In recent years, other states have required or considered requiring utilities to engage in full-scale distribution system planning. What are the costs and obstacles associated with such a requirement? What are the benefits? Is detailed distribution planning feasible now, and if not, what is needed for it to become so?

19. As distributed energy resources such as distribution generation, demand response, energy storage and distributed solar PV continue to increase, so does the potential for disruption and instability to the grid due to the intermittency of these resources.⁶ As a result, as the question posits, other states have begun to require or consider requiring utilities to engage in full-scale

⁶ Siemens White Paper “*Next Generation Integrated Resource Planning, Beyond Distributed Resource Planning and Grid Modernization*,” (Dec. 2015).

distribution system planning and the need integrate this with traditional integrated resource planning has become increasingly important. We recognize the Commission's acknowledgement of PSE's 2015 IRP identified this issue, stating: "In future IRP's, PSE should continue to evaluate the impact of distributed generation on the Company's generation, transmission and distribution needs."⁷

20. Public Counsel is not able to estimate what the costs associated with a full-scale distribution planning requirement would be at this time. A helpful initial step in identifying potential costs may be to establish a common definition of "full-scale distribution planning," as this might mean different things to different parties. We recognize that the investment in increasing and merging distribution planning with integrated resource planning could be substantial. The benefit of such a requirement is the potential to better avoid grid disruptions and instability of the system, which is clearly an important societal goal. Public Counsel does not have a position at this time regarding the feasibility of detailed distribution system planning or what would be required to make it so, and whether such planning should occur in the IRP context or not. We look forward to hearing from the utilities and other stakeholders on this point.

F. Flexible Resource Modeling.

- 1. Current IRP models balance load and resources on an hourly basis over a 20-year period, generating more than 175,000 data points for the model to solve. Many of the new resource alternatives that utilities consider, however, operate on a sub-hourly basis and therefore generate benefits that cannot be captured in the IRP's hourly modeling. These benefits promise to increase over time as the penetration of variable generation increases and the need for flexibility from fast-moving resources grows. Prime examples of this type of resource are energy storage, reciprocating engines and the Energy Imbalance Market. How are utilities accounting for sub-hourly resources in current IRP models?**

⁷ *In re Puget Sound Energy Seeking Temporary Exemption from the Provisions of WAC 480-90-238(4) and WAC 480-100-238(4) Relating to and Permanent Modification of the Timing of IRP Filing*, Dockets UG-141169 & UE-141170, UTC Acknowledgement Letter and Attachment, Comments at 12 (May 9, 2016).

21. Public Counsel has no initial comments for this topic, but may have comments in response to other stakeholder comments or further inquiries from the Commission.

2. **Are there readily available means of using sub-hourly IRP models? For example, if the model ran in 15-minute increments over 20 years, it would generate more than 700,000 data points – four times as many as current models. But if it ran in 15-minute increments for just 10 years, it would only double the number of data points, to about 350,000. Would it be possible to adapt current IRP models to operate in that way? Are there commercially available alternatives for sub-hourly modeling? Do utilities or other parties have experience in operating those models.**

22. Public Counsel has no initial comments for this topic, but may have comments in response to other stakeholder comments or further inquiries from the Commission.

G. Procedural Improvements.

1. **Should the Commission clarify its treatment of confidential information in IRP and RFP dockets? If so, how?**

23. Yes. The Commission should ensure that interested parties are able to access all information they need to review a utility’s IRP and RFP. In recent years, utilities have designated increasingly more information as confidential. In the context of non-adjudicative proceedings like the IRP and RFP for which there is no protective order, this designation results in parties’ inability to access information necessary to participate effectively. The Commission should adopt rule language that requires utilities to enter into confidentiality agreements with interested parties or issue protective orders in IRP and RFP dockets.

2. **Should the Commission outline more specific requirements for public involvement, like identification of meeting time and location on the workplan, and the identification of the date a draft will be available for public review?**

24. Public involvement serves a very important role in the development of the IRP. Stakeholder advisory groups and participation by the public allows for meaningful input and

feedback on utility assumptions and helps ensure that the plan reflects the interests of ratepayers

and the public as a whole. Public Counsel sees value in the Commission requiring the utility to identify the meeting time and location for the workplan and identify the date a draft will be available for public review. PSE currently posts all meeting dates/times, agendas and meeting notes on its website and we believe this has been a very good way to increase public involvement and awareness. It may be beneficial to considering requiring this by rule.

25. Another topic that has arisen concerning transparency and opportunities for public participation in the IRP context is whether the utility should provide a listserv and/or help facilitate a process for e-mail exchange, to enable stakeholders to post and share information and communications related to the IRP docket. We believe it would be appropriate to consider this issue as well in the context of this rulemaking proceeding.

3. How can the Commission increase the transparency of IRP models? Is there a way to allow commission staff and other stakeholders to independently access company modeling software and test assumptions, without violating proprietary agreements or confidentiality, as is done with power cost models?

26. Public Counsel believes this is a very important issue that merits exploration in this docket. Allowing stakeholders access to IRP models could vastly improve parties' abilities to effectively analyze issues and participate in the IRP process. We are interested in hearing from the utilities as to what barriers exist to allowing access to IRP models. We believe this issue extends beyond models as well. There is a need for increased transparency of resource assumptions and their sources, for example. We believe part of the solution to increase transparency is to address issues of confidentiality. Our recommendations on addressing confidentiality in the IRP process are discussed above in these comments.

4. Are there any improvements that could be made in the IRP reporting or review process? Staff will ensure rule language is simplified and written in terminology that promotes clarity and understanding for all stakeholders.

Rules that are written in Plain Talk are easier to understand and implement consistently.

27. Public Counsel believes it would be beneficial to clarify in rule the Commission's IRP review process. The rules are currently silent on the Commission's review process, with the exception of the following language under WAC 489-100-238(6): "The Commission will consider the information reported in the integrated resource plan when it evaluates the performance of the utility in rate and other proceedings." Public Counsel suggests adding rule language that clarifies that the Commission does not approve the IRP, but rather acknowledges it. In addition, it would be helpful to provide the time period for Commission review of the IRP. Finally, Public Counsel recommends adding language to the rules that states that the approval of the IRP does not result in pre-approval of resource acquisitions.

III. CONCLUSION

28. Public Counsel appreciates the opportunity to submit comments regarding the Commission's important inquiry into its IRP and RFP rules. A representative of Public Counsel will be in attendance at the December 7, 2016, workshop to engage in the discussion of these topics and those raised by other stakeholders.

29. Dated this 2nd day of November, 2016.

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