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COMMISSION

RE: Comments of Renewable Northwest, Dockets UE-191023 and UE-190698

Utilities and Transportation Commission’s October 14, 2020, Notice of Opportunity to File Written Comments Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act, Docket UE-191023, and In the Matter of Amending, Adopting, and Repealing WAC 480-100-238, Relating to Integrated Resource Planning, Docket UE-190698.

I. INTRODUCTION

Renewable Northwest is grateful to the Washington Utilities and Transportation Commission (“the UTC” or “the Commission”) for this opportunity to comment in response to the Commission’s October 14, 2020, Notice of Opportunity (“Notice”) to File Written Comments Relating to Clean Energy Implementation Plans (“CEIPs”) and Compliance with the Clean Energy Transformation Act (“CETA”), and In the Matter of Amending, Adopting, and Repealing WAC 480-100-238, Relating to Integrated Resource Planning.

Renewable Northwest supports the broad effort by Commission Staff (“Staff”) to improve the clarity and conciseness of the draft rules. In these comments, we address the few language revisions that do not improve clarity, and we urge the Commission to consider revisions to areas in the proposed rules where detail is currently lacking. Specifically, we again encourage the Commission to consider improvements to rules related to utilities’ resource adequacy standards, especially considering the progress made by utility and non-utility stakeholders in aligning behind an approach in the parallel rulemaking by the Department of Commerce. We also address, among other topics, the draft rules’ material revisions to public participation in utility planning efforts, incomplete requirements for demonstrating compliance with RCW 19.405.030, and language revisions regarding the incremental cost of compliance.

We applaud the Commission and Staff for their work over the course of this rulemaking, which is nearing its close with a strong set of proposed rules for integrated resource planning and CEIP

development. We also thank the Commission and Staff for their thoughtful attention to the details most critical for securing Washington’s clean energy future. As always, we look forward to continued participation in these processes.

II. COMMENTS

A. WAC 480-100-620 Content of an integrated resource plan

We appreciate the Commission’s adding renewable resource integration, draft WAC 480-100-620(5), to the rules relating to the content of an integrated resource plan. Integration is an increasingly important topic as utility systems include ever more variable renewable generating resources. We look forward to working with the Commission, utilities, and other stakeholders to explore best practices for reliable, cost-effective integration of renewable resources into modernizing utility systems.

In our prior comments to the Commission, we recommended fairly detailed language regarding resource adequacy (“RA”) requirements. We pointed out that RA concerns provide a potential offramp from substantive CETA compliance -- a means of avoiding the ultimate 100% clean goal -- and therefore recommended guideposts to ensure this offramp is limited to true reliability concerns, not artifacts of outdated approaches to RA.

We appreciate Staff’s concern that our previously requested level “detail is [not] necessary in rule at this time and could be overly prescriptive.” Since submitting our original language, in the context of the Department of Commerce’s parallel CETA rulemaking, we worked with the Public Generating Pool (“PGP”) to address similar concerns and reached agreement on new compromise language. We now recommend that the Commission adopt this compromise language for investor-owned utilities (“IOUs”)¹:

(1) Each utility must establish by January 1, 2022, a standard for resource adequacy and resource contribution assessments to be used in resource planning, including assessing the need and contributions of generating resources, storage resources, demand response resources, and conservation resources. The resource adequacy standard must be consistent with prudent utility practices and relevant regulatory requirements and must include the following reasonable and nondiscriminatory descriptors:

a. Measures of adequacy, consistent with a utility’s method of adequacy measurement and type of adequacy risks;

¹ This language has been adapted from the agreed-upon language submitted to Commerce by PGP only to remove references that apply to public utilities but not to IOUs.

- b. Methods of measurement, including probabilistic assessments of resource adequacy; and
- c. Probabilistic measures of resource contribution to resource adequacy such as effective load carrying capability applicable to all resources available to the utility, including but not limited to renewable, storage, hybrid, and demand response resources.

(2) To the extent utilities need to adopt new modeling tools to perform the above analysis and are unable to adopt the tools by the first plan due January 1, 2022, the utility will explain its plan for acquiring those tools by the next integrated resource plan.²

B. WAC 480-100-625 Integrated resource plan development and timing

For years, Renewable Northwest has actively participated in Washington utilities' public participation processes during integrated resource plan ("IRP") development efforts. The public participation phase of resource planning mutually benefits stakeholders and utilities, creating an educational opportunity for all parties that ultimately leads to a better informed and vetted IRP. For example, in the ongoing public participation phase of Puget Sound Energy's 2021 IRP development, Renewable Northwest provided the utility feedback on its generic resource assumptions, resulting in improved accuracy in the utility's proxy resource costs modeling.³

While we acknowledge that not all stakeholder feedback may equally inform a utility's resource planning efforts, and we empathize with utilities hoping to optimize the value of stakeholder feedback received, we recommend that the Commission not make the sweeping changes to public participation reflected in the current draft rules.

Specifically, the previous draft rules required utilities to consult with Staff and the public during IRP and progress report development, and the current draft requires that utilities consult advisory groups. As indicated in Staff's summary of comments on the second discussion draft, the change from broad public participation to targeted advisory group consultation is an attempt to address multiple comments alluding to the variable merit of public feedback utilities receive.⁴ We are concerned, however, that advisory groups may end up excluding valuable public comment from IRP development. Should the Commission decide to sustain this revision, therefore, we

² See correspondence from Tashiana Wangler of Public Generating Pool (PGP) to Glenn Blackmon of the Department of Commerce, attached to these Comments as Exhibit A.

³ PSE IRP Consultation Update, Webinar 1: Generic Resource Assumptions (May 28, 2020), *available at* https://oohpseirp.blob.core.windows.net/media/Default/2021/meetings/May_28_Webinar/Consultation%20Update_Generic-Resource%20Costs_Final.pdf.

⁴ Summary of September 11, 2020, Comments on 2nd Discussion Draft, Integrated Resource Plan and Clean Energy Implementation Plan Rulemaking, Dockets UE-190698 and UE-191023.

recommend that Staff, at minimum, either set guidelines in rule for utilities' formation of advisory groups or make the following language addition in draft WAC 480-100-625(2):

(x) A proposed list of parties and/or organizations constituting the utility's resource planning advisory group and equity advisory group, for commission review and approval;

This addition to the IRP work plan would give the Commission an opportunity to review the entities which will compose the utility's advisory groups. Commission review should help minimize utility bias in creating those groups.

C. WAC 480-100-640 Clean energy implementation plan (CEIP)

Renewable Northwest appreciates the Commission's solution to stakeholder feedback on the suitability of business cases to justify each action identified in a utility's CEIP. Draft WAC 480-100-640(6), requiring a narrative description of specific actions to be taken over the implementation period, sets unambiguous requirements and holds utilities accountable to the variety of considerations defined in statute to ensure a sustainable, equitable clean energy transition.

Additionally, the CEIP rules invoke resource adequacy at draft WAC 480-100-640(4)(e) and (5)(b); for clarity and consistency, Renewable Northwest recommends that in each instance the rules specify that the narrative description and metrics relevant to resource adequacy be consistent with the IRP resource adequacy requirements.

D. WAC 480-100-650 Reporting and compliance

a. WAC 480-100-650(3) Annual clean energy progress reports

Renewable Northwest understands the arguments being made by utilities that e-tags may not include the necessary information to demonstrate that a utility has not used coal-fired resources to serve retail electric customer loads. We also understand the broad resistance to referring this issue to the markets workgroup, given that the first attestation under WAC 480-100-650(3)(a) must be made by July 1, 2027, and utilities must begin planning for that compliance demonstration now.

However, the previous draft rule included a two-step verification that coal-fired resources were eliminated from a utility's load: 1) the utility makes an attestation for the previous calendar year that it did not serve customers with coal-fired generation, and 2) "an appropriate company executive or qualified independent third party has reviewed all e-tag data...and verified that no

electricity from coal-fired resources was included in market purchases and therefore no such electricity was included in retail customer rates....”⁵

Because the current draft eliminates the second step of verifying no coal-fired generation was included in retail customer rates, which would be a check on market purchases, we recommend the Commission at minimum consider requiring the attestation in draft WAC 480-100-650(3)(a) be made by a company executive and be subject to review by the Commission, as proposed below:

(a) Beginning July 1, 2027, and each year thereafter, an attestation by an appropriate company executive, subject to commission review, for the previous calendar year that the utility did not use any coal-fired resource as defined in this chapter to serve Washington re-tail electric customer load;

While Commission review of the attestation may at present be most appropriate in the context of a utility’s rate case, future market constructs may accommodate all-resource tracking -- a function that would create an additional avenue for the Commission to review a utility’s attestation that coal-fired resources were excluded from retail customer rates.

Further, in order for a utility to comply with RCW 19.405.030, it must not rely on consecutive contracts for unspecified resources as a substitute for a single purchase or a resource procurement. In the definition for “coal-fired resource,” the proposed rules reflect the statutory limitation, as specified in RCW 19.405.020(7)(b)(i), that “a limited duration wholesale power purchase, not to exceed one month,” does not constitute a coal-fired resource.⁶ However, the proposed rules do not address the loophole that this definition creates: a utility may intentionally rely on consecutive short-term contracts for unspecified resources, ultimately delaying the utility’s clean energy transformation.

Subsequent to outlining the attestation utilities must make in each annual clean energy progress report, we recommend that draft WAC 480-100-650(3) provide limitations regarding serial transactions for unspecified electricity. Renewable Northwest has proposed multiple rounds of draft rule language to Commerce on this issue, including most recently:

(x) A utility may not make the attestation required by subsection (3)(a) if it makes consecutive purchases of electricity, where the source is unknown at the time of

⁵ Second discussion draft, draft WAC 480-100-650(3)(a).

⁶ Draft WAC 480-100-605.

purchase, such that the term of each purchase is greater than one week and the combined terms of the purchases exceed one month.

This proposed language addresses consecutive unspecified purchases while also acknowledging that many of the short-term contracts pursued by utilities are less than twenty-four hours in duration. As such, the limitation would be constrained to week-long contracts combined to exceed one month.

The Department of Commerce, in its proposed rules relating to CETA implementation, offers another approach that would 1) explicitly prohibit a utility's exploitation of the one-month contract term specified in RCW 19.405.020(7)(b)(i), and 2) initiate an audit of a utility's transactions to investigate intent. This alternative approach is reflected in the following language:

A utility must not engage in a series or combination of short-term transactions for unspecified electricity for the purpose of avoiding the restrictions on use of coal-fired resources under RCW 19.405.030(1).⁷

On the issue of consecutive unspecified purchases, the Commission indicates in its summary of comments on the second discussion draft that “[a]fter a public discussion, the commission should consider if additional rules are necessary.”⁸ We recommend that the Commission consult the Department of Commerce on its progress developing a rule to address this issue. We look forward to continuing this discussion to ensure the adopted rules establish guidance related to consecutive contracts for unspecified resources.

Moving now to a modification to pre-2030 compliance obligations, the language in draft WAC 480-100-650(3)(f) aims to address the concern of Bonneville Power Administration (“BPA”) that it may not be able to support its customers’ compliance with the clean energy standards prior to 2030. The draft rules’ required documentation for pre-2030 compliance, affecting the way utilities track progress toward meeting the clean energy standards, now uniquely allow electricity purchases from BPA to be documented via contract language confirming the association of nonpower attributes with the purchase. However, while the retirement of renewable energy credits (“RECs”) helps to safeguard the double counting of those credits toward other compliance requirements, draft WAC 480-100-650(3) contains no protection against the double

⁷ Department of Commerce, CR-102 for implementation of Chapter 19.405 RCW, Draft WAC 194-40-300.

⁸ Summary of September 11, 2020, Comments on 2nd Discussion Draft, Integrated Resource Plan and Clean Energy Implementation Plan Rulemaking, Dockets UE-190698 and UE-191023, at 83.

counting of nonpower attributes accumulated with purchases from BPA. We recommend that the Commission add language prohibiting the double counting of nonpower attributes tracked through contract language prior to January 1, 2029.

E. WAC 480-100-655 Public participation in a clean energy implementation plan (CEIP)

To echo our concern with the revisions to public participation in the IRP development process, Renewable Northwest recommends that the Commission consider alternative strategies for optimizing the value of stakeholder feedback utilities receive during CEIP and biennial CEIP update development efforts. Draft WAC 480-100-655(1) now requires utilities to consult and report feedback from advisory groups, as opposed to the general public, during development of CEIPs and biennial updates.

Again, should this revision to public participation move toward rule adoption, we recommend the Commission add clarifying language guiding utilities' formation of advisory groups -- what types of advisory groups are necessary for CEIP and biennial update development (i.e. what purpose does each group serve?), and what parties and/or organizations should compose those groups? We recommend the Commission limit utilities' autonomy to form advisory groups, at least if not subject to the Commission's review and approval, in order to ensure robust public participation.

F. WAC 480-100-660 Incremental cost of compliance

a. WAC 480-100-660(1) Incremental cost methodology

Renewable Northwest appreciates the work of the Commission and Staff to provide utilities specific quantitative guidance for determining the incremental cost of compliance of meeting the clean energy standards. To reiterate our comment on the previous draft rules, "consistency across utility reporting will encourage transparency and will improve the Commission's understanding of utilities' progress over each compliance period."⁹ However, the addition of WAC 480-100-660(1)(c) compromises that consistency in reporting by allowing a utility to propose its own alternative methodology for calculating its incremental cost of compliance, "if it can demonstrate that [the methodology] meets the requirements of a methodology as described in RCW 19.405.060(3) and (5), and will comply with RCW 19.405.040 and 19.405.050 at the lowest reasonable cost."¹⁰

⁹ Sept. 11, 2020 Comments of Renewable Northwest, UE-191023 and UE-190698 at 11.

¹⁰ Draft WAC 480-100-660(1)(c).

This language addition is a reaction to an incremental cost methodology proposed by Puget Sound Energy, which Staff “still has concerns with...as it is currently explained.”¹¹ Various other stakeholders, Renewable Northwest included, have proposed a handful of methodologies, no two of which compute equal outputs with the same inputs. Therefore, it is unclear what benefit draft WAC 480-100-660(1)(c) offers to either the utility or the Commission. For consistency and transparency, as well as simplicity in the compliance determination, we recommend that draft WAC 480-100-660(1)(c) be removed. The methodology for performing the incremental cost calculation should be uniform across all utilities and CEIPs unless otherwise revised by the Commission. However, should the Commission elect to advance this language toward rule adoption, we recommend that at minimum, the draft rules be revised to require a utility to calculate its incremental cost via its alternative methodology *and* the methodology established in rule, allowing the Commission and stakeholders to understand the impact the alternative approach may have on the utility’s energy transformation timeline.

b. WAC 480-100-660(2) Incremental cost calculation

Renewable Northwest supported in previous comments a methodology for calculating the incremental cost of compliance that varies slightly from the formula reflected in the Commission’s proposed rules. The variation impacts the way long-term investments are incorporated into the calculation, as well as how the two-percent threshold is framed. In the current draft rules, a long-term investment would be amortized across the life of the project, splitting payments into each year within a compliance period. Further, utilities would be required to demonstrate that the total incremental spend reaches a two-percent increase every year within a compliance period.

Alternatively, our proposed methodology would allow a long-term investment to be incorporated into the cost calculation all at once, so once a utility determines the 2% threshold for the full compliance period, a long-term investment will not count against a future year’s incremental cost threshold. This fits with the statute’s intent for the incremental cost of compliance, which maintains that a utility “must be considered to be in compliance with the standards under RCW 19.405.040(1) and 19.405.050(1) if, over the four-year compliance period, the average annual incremental cost of meeting the standards or the interim targets...equals a two percent increase of the...weather-adjusted sales revenue to customers for electric operations above the previous year.”¹² As such, the below formula calculates the full incremental cost threshold¹³ for a

¹¹ Summary of September 11, 2020, Comments on 2nd Discussion Draft, Integrated Resource Plan and Clean Energy Implementation Plan Rulemaking, Dockets UE-190698 and UE-191023, at 67.

¹² RCW 19.405.060(3)(a) and RCW 19.405.060(4)(a).

¹³ Variable *C* in the referenced formula, while labeled “Total cost cap over compliance period,” takes the same meaning as “incremental cost threshold.”

four-year compliance period, resulting in a 2% *average* annual increase in a utility's weather-adjusted sales revenue:

$$C = (B_0 * 1.02^4 - B_0) + \sum_{n=1}^3 (G_n * 1.02^{(4-n)} - G_n)$$

WHERE:

C = Total cost cap over compliance period

B₀ = Weather adjusted sales revenue in Year 0

G_n = Change in sales revenue compared to B₀ in Year n

n = Compliance year

The formula has two terms. The first term is a calculation of the 2% annual increase in sales revenue based on the Year 0 Cost Basis. The total Cost Basis in Year 4 minus that of Year 0 equals the total incremental cost of compliance for the four-year period. The sigma term is an adjustment for changes in the Cost Basis resulting from future unknowables, including load growth, rate increases, etc. This term compounds the increase in Cost Basis for Year n, for the remaining years in the compliance period.¹⁴

Worth noting, the above formula would output a slightly lower cost threshold than the methodology proposed in the current draft rule. However, while we think this methodology is most representative of the incremental cost provision and we believe it would provide a valuable tool for utilities making resource decisions over a long compliance timeline, we would support draft WAC 480-100-660(2) in its current form.

¹⁴ Formula developed by Climate Solutions.

IV. CONCLUSION

Renewable Northwest thanks the Commission for its consideration of these comments. We look forward to continued engagement in this rulemaking and the remainder of the Clean Energy Transformation Act implementation process.

Respectfully submitted this 12th day of November, 2020,

/s/ Katie Ware

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/s/ Max Greene

Max Greene

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EXHIBIT A



Katie Ware <katie@renewablenw.org>

Resource adequacy suggestions

Tashiana Wangler <twangler@publicgeneratingpool.com>

Thu, Oct 15, 2020 at 10:06 AM

To: "Blackmon, Glenn (COM)" <glenn.blackmon@commerce.wa.gov>

Cc: Katie Ware <katie@renewablenw.org>, Max Greene <max@renewablenw.org>, Therese Hampton <thampton@publicgeneratingpool.com>

Hi Glenn,

RNW and PGP have agreed to proposed changes we hope you'll consider to the resource adequacy rules section. Below the suggested changes, I include PGP's reasoning for the changes at the bottom of the email. Please let us know if you have questions. I hope that we are not too late, I know you had hoped to receive this yesterday afternoon.

Thank you for considering our suggestions,

Tashiana

Suggested changes to WAC 194.40-210 – Resource adequacy standard:

(1) Each utility that is required to prepare an integrated resource plan under RCW 19.280.030(1) must establish by January 1, 2022, a standard for resource adequacy and resource contribution assessments to be used in resource planning, including assessing the need and ~~type of~~ contributions of generating resources, storage resources, demand response resources, and conservation resources. The resource adequacy standard must be consistent with prudent utility practices and relevant regulatory requirements and must include the following reasonable and nondiscriminatory descriptors:

- a. Measures of adequacy, consistent with a utility's method of adequacy measurement and type of adequacy risks ~~including peak load standards and loss of load probability.~~
- b. Methods of measurement, including probabilistic assessments of resource adequacy ~~at both a system and resource level~~, and
- c. Probabilistic measures of resource contribution to resource adequacy such as effective load carrying capability applicable to all resources available to the utility, including but not limited to renewable, storage, hybrid, and demand response resources.

(2) Each utility not subject to subsection (1) must identify by January 1, 2022, the resource adequacy standard relied on by the utility in preparing its resource plan and CEIP.

New (3): To the extent utilities need to adopt new modeling tools to perform the above analysis and are unable to adopt the tools by the first plan due January 1, 2022, the utility will explain its plan for acquiring those tools by the next integrated resource plan.

PGP REASONING:

- The reasoning for us to propose “the following” and “descriptors” – this is minor wording change to make the sentence work better.
- The reasoning for eliminating “peak load standards” and “loss of load probability” – it would be wise to keep the rules flexible enough to not conflict with current best practices and also enable utilities to incorporate evolving best practices. Also, loss of load probability is a specific form of measurement that is likely not going to be used. Currently the NWPP is discussing using “loss of load expectation”.
- Rather than peak load standards and loss of load probability, we recommend “consistent with a utility’s method of adequacy measurement and types of adequacy risks” to provide more specificity without being to prescriptive.
- The reasoning for eliminating “at both a system and resource level” – this is overly prescriptive direction to utilities.
- In 1(c) there is a requirement to look at resource contribution to resource adequacy. Some utilities modeling tools are not currently set up to do this and it will take some time to incorporate into their modeling tools. As a fix, we recommend a new (3) that would keep in the probabilistic measure language, but give utilities some additional time to adjust their modeling tools to incorporate these elements by the next planning cycle.

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