



NW Energy Coalition
for a clean and affordable energy future

June 24, 2024

Via Electronic Filing

Attn: Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Lacey, WA 98503

Re: NW Energy Coalition's Comments on the Commission's Rulemaking to Implement HB 1589 (Docket U-240281)

Dear Director Killip:

The NW Energy Coalition ("NWECC" or "Coalition") appreciates the opportunity to comment on the Washington Utilities and Transportation Commission ("Commission" or "UTC") rulemaking to implement HB 1589 pertaining to the consolidation of a large combination utility's gas and electric operations planning requirements into an integrated system plan ("ISP").

The Coalition is an alliance of over 100 environmental, civic and human service organizations, progressive utilities, and businesses. Our mission is to advance clean, equitable, and affordable energy policies in Washington, Oregon, Idaho, and Montana. We envision the Northwest comprised of communities that benefit from a carbon-free energy system that equitably meets the needs of people and preserves the region's natural resources.

Our comments below address the three specific questions detailed by the Commission in its amended notice of opportunity to file comments.

Section 3(2)(b) of the ESHB 1589 requires the Commission to include a compliance checklist and any additional guidance that is necessary to assist a large combination utility in meeting the minimum requirements of all relevant statutes and rules. What should the Commission consider including in a compliance checklist and what additional guidance should the Commission consider providing the large combination utility?

As a foundational matter, NWECEC urges the Commission to balance the, at times, competing goals of achieving regulatory efficiency and flexibility with providing sufficient direction necessary to ensure large combination utilities meet the state’s clean energy mandates.

Rather than focusing on a granular and overly detailed compliance checklist, the Commission should strive to adopt administrative rules at a high enough level that allow for durability over the long-term. Such an approach would provide utilities sufficient direction to allow for robust integrated system planning that captures the spirit of HB 1589 while creating flexibility to allow for a varied set of approaches that may change over time.

For example, like existing utility planning processes, regulatory approval should not be predicated on the use of any specific resource or subset of resources. Rather, the Commission should encourage utilities to explore various means to meet the state’s climate mandates—which may necessarily include emerging technologies that are not yet in existence—to serve customers across its electric and gas systems in a manner that minimizes the cost and risk to customers while simultaneously optimizing for an equitable path to deep decarbonization.

This is a significant change for the Commission and affected utilities. Traditionally, utility resource planning has optimized for two key metrics—cost and risk, as part of a “lowest reasonable cost” standard. While cost has always been relatively easy to assess, risk assessment requires a longer-term view of different variables associated with resource procurement. Given the urgent need to deeply decarbonize utility systems to mitigate the worst impacts of climate change, and the clear directives of HB 1589, ISPs must now seek to optimize planning across utility systems that achieve the best combination of cost, risk, decarbonization, and equity. This can be seen clearly in HB 1589’s legislative intent and the criteria with which to assess Commission approval.¹

Any compliance checklist assembled by the Commission must, at a minimum, ensure that criteria for determining whether to approve an ISP are met. Those criteria are laid out in HB 1589 Sect. 3(12), which provides:

(12) In determining whether to approve the integrated system plan, reject the integrated system plan, or approve the integrated system plan with conditions, the commission must evaluate whether the plan is in the public interest, and includes the following:

- (a) The equitable distribution and prioritization of energy benefits and reduction of burdens to vulnerable populations, highly impacted communities, and overburdened communities;
- (b) Long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks;
- (c) Health and safety concerns;

¹ See, e.g., HB 1589 Sect. 1(1); Sect. 1(5); Sect. 3(12).

- (d) Economic development;
- (e) Equity;
- (f) Energy security and resiliency;
- (g) Whether the integrated system plan;
 - (i) Would achieve a proportional share of reductions in greenhouse gas emissions for each emissions period on the gas and electric systems;
 - (ii) Would achieve the energy efficiency and demand response targets in subsection (4)(e) and (g) of this section;
 - (iii) Would achieve the cost-effective electrification of end uses as required by subsection (4)(h) of this section;
 - (iv) Results in a reasonable cost to customers, and projects the rate impacts of specific actions, programs, and investments on customers;
 - (v) Would maintain system reliability and reduces long-term costs and risks to customers;
 - (vi) Would lead to new construction career opportunities and prioritizes a transition of natural gas and electric utility workers to perform work on construction and maintenance of new and existing renewable energy infrastructure; and
 - (vii) Describes specific actions that the large combination utility plans to take to achieve the requirements of the integrated system plan.

The legislature clearly intended that the equitable decarbonization of energy systems be at the forefront of Commission consideration. In the context of determining the optimal set of resources to decarbonize integrated utility systems within the contours of HB 1589, it is imperative that particular focus be given to vulnerable populations who receive gas service from an affected utility.

In the event that an integrated utility continues to grow the gas system by adding long-term capital-intensive resources, and that growth does not materialize, vulnerable populations such as low-income customers and renters will be exposed to increasing gas costs as other customers on the system electrify or otherwise decrease their natural gas consumption. This inequitable result would run directly counter to HB 1589's clear legislative intent. Therefore, NWEC recommends that the Commission consider the following when assessing whether to approve an ISP:

- Whether the utility has sufficiently incorporated energy efficiency, demand response, and other load-reducing measures to minimize cost and risk;
- Whether the proposed investments in the natural gas system are driven by core requirements to maintain a reliable system, or whether the company is continuing to make growth-related investments. If proposing to make growth-related investments, the utility must clearly demonstrate that it has exhausted all reasonable means to meet demand through load-reducing measures;

- Whether the utility has included sufficient incentives to electrify load, and examined opportunities for geographically targeted electrification before making a growth-related investment in the natural gas system;
- Whether ISPs are taking proactive measures to reduce customers' energy burden, including targeting customer outreach regarding energy discount and assistance programs, disconnection protections for vulnerable customers, energy efficiency incentives, or other load-reducing measures; and
- Whether the utility has sufficiently applied for financial-project support opportunities such as state and federal grant programs.

Section 3(2)(a) of ESHB 1589 requires the Commission to complete a rulemaking proceeding to implement consolidated planning requirements for gas and electric services for large combination utilities. The Commission may include existing plans required under seven existing statutes in the consolidated planning requirements. Are there existing plans required under these seven statutes that large combination utilities submit to the Commission that the Commission should consider including and/or excluding from the required rulemaking proceeding? Please explain why these plans should be included or excluded.

NWEC's vision for this process is not just to consolidate planning processes for large combination utilities but to achieve comprehensive, integrated system planning for large combination utilities. NWEC supports evaluating various planning processes that large combination utilities submit to the Commission.

The ultimate aim should be the establishment of one integrated energy system (gas and electric) that can evaluate the lowest cost mix of demand-side and supply-side resources, decarbonization measures, and equity issues and optimize resources across the whole system. The consolidation of various planning processes (i.e., Clean Energy Implementation Plans, Transportation Electrification ("TE") Plans, energy conservation potential assessments) can lead to a more efficient and effective planning process. NWEC firmly believes that by coordinating input processes, we can significantly enhance the outcomes of the planning process, particularly for the large combinations energy system. This should be the Commission's goal.

NWEC argues that the UTC, with its considerable expertise, is in a prime position to guide this process. While the Washington legislature has provided guidance, the UTC must use its knowledge and discretion to ensure the established rules align with the policy intent.

The lowest reasonable cost is one of many criteria for evaluating the performance of a comprehensive system plan. HB 1589 Section 5(f) explicitly requires large combination utilities to ensure an equitable distribution of benefits to and reduction of burdens for vulnerable populations, highly impacted communities, and overburdened communities that have been

historically underserved by utility demand-side programs. This is especially important as large combination utilities direct resources toward decarbonizing loads served with fossil fuels.

The UTC should strive to efficiently use the inputs and outputs of other associated and relevant planning processes to ensure the ISPs are conducted in the spirit of HB 1589. However, simply utilizing data from other planning processes is no substitute for a robust and thorough ISP.

While it makes sense for some data from Integrated Resource Plans, energy conservation potential assessments, Clean Energy Implementation Plans, conservation targets, and TE Plans to inform ISPs, the ISPs themselves must take additional steps to optimize resource strategy across energy systems in an equitable manner.

For example, the ISP should strive to co-optimize benefits that are forecasted and planned for in the TE planning process. Ensuring that both transportation and building electrification are accurately accounted for is paramount to ensure the utility's system can integrate and effectively manage new load. While all planning processes should be considered and included in the development of an ISP, NWECC would appreciate clarity from the Commission regarding how RCW 80.28.130 and multi-year rate planning processes can be utilized in the ISP framework.

From NWECC's perspective, the goal of the ISP should be to ensure the lowest reasonable cost resource strategy for the energy system as a whole that meets the state's binding climate legislation and ensure that equity is at the forefront of any plan.

Section 3(10) of ESHB 1589 requires the Commission to establish by rule a cost test for emissions reduction measures achieved by large combination utilities. On November 7, 2022, in Docket [UE-210804](#), Commission Staff presented a Straw Proposal for a Washington Cost-Effectiveness Test for Distributed Energy Resources. Is this straw proposal an appropriate starting point for developing a cost test for emissions reductions measures? If yes, which components of the straw proposal need further discussion?

NWECC is generally supportive of the straw proposal from docket UE-210804 and we look forward to the docket re-starting and beginning phase 2 in which participants will develop methods to quantify and monetize the impacts identified in phase 1, as well as discuss specific areas of interest brought up during the rulemaking process to date.

We believe that the straw proposal is an appropriate starting point for developing a cost test for emissions reduction measures, and we'd like to raise additional considerations for the Commission if it decides to move forward with using the straw proposal:

1. Clarity is needed on how the societal costs and impacts are reflected in the cost-benefit test. We acknowledge that this will be determined in phase 2 of the rulemaking.
2. The straw proposal treats DERs— including energy efficiency, demand response, distributed generation, distributed storage, and electric vehicles— as resources. However,

we urge the Commission to consider including electrification as a resource in this context because utility planning for electrification will be incorporated into utility integrated system planning.

3. While all of the principles of the National Standard Practices Manual for Distributed Energy Resources (NPSM for DERs) are important to ensure that emissions reductions measures are accurately and appropriately quantified, Principle 5 bears additional emphasis. Principle 5 requires that cost-effectiveness analyses should be forward-looking, long-term and incremental to what would have occurred absent the DER. In this context, an ISP should examine the cost-effectiveness of investments compared to what would have been invested in on the gas side of the utility. Investments in new gas infrastructure are often amortized over long time horizons (i.e. greater than 30 years), and the cost-effectiveness of investments in demand-side resources and other emissions reductions measures should be examined on a similar timeline.

Thank you for considering our comments.

Respectfully submitted,

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