

UE-191023: CEIP / CETA Compliance / RCW 80.28 revisions - Vashon Climate Action Group inputs

February 28, 2020

**To: Utilities and Transportation Commission (UTC) Records Center
records@utc.wa.gov**

From: Vashon Climate Action Group

Regarding: Notice of opportunity to file written comments, Docket UE-191023

The Vashon Climate Action Group (VCAG) welcomes the opportunity to provide written comments, enclosed, regarding the Clean Energy Implementation Plan (CEIP) rulemaking docket UE-191023. Two VCAG members are part of the Puget Sound Energy (PSE) Technical Advisory Group (TAG). We participated in the 2017 PSE IRP UTC Hearing and the 2019 PSE IRP planning activity. Our submitted comments are directly informed by participation in these activities.

The work of the Commission, prompted by the passage this year of the Clean Energy Transformation Act (CETA) is important. Legislative changes, embodied in CETA, have long been called for by PSE TAG members. We look forward to supporting the Clean Energy Implementation Plan rulemaking process to assure the intent and practice of CETA are clearly established in the Washington Administrative Code.

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Please do not hesitate to contact me with questions should they arise.

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1) System reliability & Resource Adequacy

Utilities should include detailed information about their resource mix as they transition to CETA targets, and how those resources contribute to reliability and resource adequacy. As resources are retired and resources are acquired this information will evolve. Retired assets that are retained for some time should be considered in the assessment. Rules should stipulate that acquired resources or resources slated for fuel shifting to comply with CETA requirements must evaluate feedstock market capacity, including cost, and the subsequent impact on reliability and resource adequacy (ref: Puget Sound Energy suggestion to shift gas peaker plants to either Renewable Natural Gas or hydrogen, neither of which may be available in sufficient quantity or at affordable cost to qualify as “prudent”).

2) CEIP Targets – how to specify

We strongly recommend the UTC establish rules that require utilities to establish annual CETA compliance targets and to project their cumulative benefit towards the CETA goals. With only two CEIP review periods prior to the 2030 carbon neutral date of CETA section 4, annual targets are needed to determine if the utility is on track to meet CETA schedule goals.

We support the UTC establishing rules that require utilities to report their CETA targets as (1) the range of overall greenhouse gas emissions based on the expected variation of resources dispatched in any given year based on their Integrated Resource Plan analyses, (2) as a function of resource type, (3) the portion of CETA targets met by Demand Response, (4) the portion of CETA targets met by Conservation and (5) the portion of CETA targets met by market purchases.

We strongly recommend the UTC establish rules that require utilities to establish annual CETA compliance targets and to project their cumulative benefit towards the CETA goals for both time periods.

3) CEIP “more stringent targets” when to, when not to

The UTC should require more stringent targets whenever the utility is not showing progress or not producing a CEIP that shows an ability to make reasonably risk-free progress towards CETA goals. CEIP rules should require the utilities to identify resource acquisition and retirement schedules, cost / resource / market risks, cost / resource / market opportunities and industry average costs & schedules for resource acquisition and retirement to aide in making this determination.

4) CEIP timeline adjustments

The principle consideration for adjusting timelines are the CETA schedule requirements of Section 4 & 5.

Utilities are likely to cite reliability issues that constrain the speed of transition to renewable resources. We advise the Commission to consider a utilities overall good faith in meeting CETA transition timelines before ceding schedule ground in the name of reliability. Has the utility made good faith progress in acquisition of renewable energy, energy efficiency and demand response? If not, the Commission should be encouraged to shorten CEIP timelines. Arguments based on customer costs are a false economy compared to the social cost of carbon that utility customers are now facing with ever higher frequency and impact. The Commission should evaluate a utilities CEIP timelines annually – specifically reviewing the utilities basis report investment in CETA sections 4 and 5 against their Clean Energy Implementation Plan (see also responses to question 24 below).

We recommend the Commission bears this responsibility, informed by utilities plans presented for review in a public hearing that formally requests inputs from all stakeholder groups cited in sections (i) – (iv) of RCW 19.285.060(1)(c).

5) CEIP targets – how to specify

Both Energy Efficiency and Demand Response reduce the overall load that utilities are required to meet, which enables them to retire fossil fuel-based assets. Renewable Energy assets must be acquired to retire fossil fuel-based assets on a timeline that allows utilities to comply with CETA Section 4 & 5 goals on or before the target dates.

Energy Efficiency and Demand Response targets, therefore, should cite the portion of Greenhouse Gas emitting utility assets that utilities can retire measured in Megawatt-Hours. Utility dispatch models complicate calculation of these targets. The Commission should establish rules that recognize this complication and compel utilities to model Energy Efficiency, Demand Response and dispatch with sufficient fidelity to create the specified targets.

In the context of CETA, Demand Response should be considered an approach to meet CETA clean energy schedule targets and should therefore focus on the utility’s portfolio. If Demand Response acquisition across the utilities entire balancing authority will allow retirement of fossil fuel-based assets then they should be considered relevant targets.

Renewable Energy targets should reflect the electricity generation capacity, in Megawatt-Hours, to allow utilities to retire their fossil fuel-based assets to comply with CETA Section 4 & 5 timelines. A “glide path” to both the 2030 and 2045 target dates should be included in the utilities CEIP (we do not expect this “glide path” to be linear).

6) CEIP contain acquisition timelines

Yes, definitely! The CEIP should also contain time ranges for resource retirement and should also identify schedule risks and opportunities for all resource acquisitions and retirements.

7) Public process guidance – general

We are in complete agreement with UE-190698 Draft Rules, WAC 480-100-620:

“The utility must inform, consult and involve stakeholders...”

We strongly recommend the Commission establish, through rule or guideline, that utilities are required to use the International Association for Public Participation “involve” approach during public review of the CEIP.

Further, the Commission should establish rules that require utilities, through non-disclosure agreements if necessary, to disclose bid and actual cost data of assets acquired and retired to implement the CEIP.

8) Public process for IRP / CEAP / CEIP – details

The CEIP, a UTC approved plan, must “identify specific actions to be taken by the IOU over the next four years ... that demonstrate progress toward meeting the standards under sections 4(1) and 5(1)” of CETA. As such the process must be guided by UTC rules.

Procedural outlines for IRP / CEAP / CEIP integration should include:

- An overview of the utilities IRP and CEAP
- Clarify which IRP analyses were used to inform which parts of the CEIP, which were not used and the supporting rationale.
- How the IRP and CEAP results are used to justify acquisition and retirement of assets identified in the CEIP and supporting rationale for the CEIP asset acquisition / retirement schedule. “Assets” in this case include electricity generation, energy efficiency, energy storage, demand response and renewable energy assets.
- Summarize the cost and schedule risks and opportunities associated with the proposed CEIP. What are the asset acquisition / retirement impacts due to these risks and opportunities (ie: What is the earliest and latest likely dates for asset acquisition and asset retirement based on the identified risks and opportunities).
- Present the Greenhouse Gas emission reduction profile, including variations due to asset acquisition / retirement risks and opportunities and expected dispatch variations (due to high / low water years, renewable energy capacity factor variation, etc). Clarify how this profile does or does not meet CETA section 3, 4 and 5 schedules.

UE-190698 proposed rules must be modified per comments submitted in that docket – see Attachment A below.

WAC 480-190-110 and 480-190-120 are also useful guidance for public participation, but should be adjusted:

- WAC 480-109-110:
 - Stakeholders must be defined
 - Risks and opportunities for cost, schedule, market and capacity must be included
 - Must clarify how utilities report GHG emissions, in particular upstream gas emissions and downstream GHG emissions.

- WAC 480-109-120:
 - Must clarify how utilities will report GHG reductions attendant to the CETA transformation, including upstream and downstream GHG emissions.

Additional rules, at a minimum, should include:

- Land use planners must be involved in CEIP proceedings.
- Communities where utilities CETA assets are to be located, including transmission corridors, must be involved.
- It is particularly important that Integrated Resource Plan stakeholders, including Technical Advisory Group members, be involved in the CEIP review process.

9) Draft CEIP helpful or hurtful

We believe a draft CEIP can be sufficiently caveated to avoid utility litigation risks. The benefit of a draft CEIP, enabling informed stakeholder and public inputs, far outweighs the unlikely occurrence of a litigation risk.

10) Proscribe level & frequency of reporting for 19.405.030, 040, 050

We concur that the Commission should establish planning and reporting rules consistent with the Energy Independence Act.

11) Frequency of compliance filings

Utilities should definitely be required, by rule, to regularly report progress towards meeting CETA schedule requirements at least annually. CETA's goals are to achieve 100% clean electricity. The existence or lack of a rate plan seems to have no bearing on CETA goals. Reporting progress toward the CETA schedule, on the other hand, is clearly required.

12) How will utilities demonstrate elimination of coal

Ideally utilities whose service territory is completely within Washington State will close their coal plants entirely. We encourage the Commission to implement this guidance in rules to the extent provided by law.

The Commission should establish rules for comparing utility dispatch orders with actual dispatched energy to assure CETA compliance. There are multiple benefits. One is to assure

utilities dispatch the lowest reasonable cost assets first, and only dispatch more costly assets when absolutely necessary.

13) Frequency of utility investment plan updates

We recommend the Commission compare the utilities filed basis reports with the CEIP annually to determine if the utility is at risk of requesting relief from CETA schedule targets due to the cost of compliance rule. We also recommend the Commission maintain a two-year frequency of IRP analyses. It would be appropriate that rules be established to require utilities to incorporate updated cost data at every IRP cycle. If not done through the IRP process, the Commission should establish rules that do require utilities to update their investment plans every two years. These should be formal filings subject to Commission approval since they form the basis of the CEIP and the determination of the CETA Cost of Compliance requirement.

14) Definition of “Major Projects” in the context of deferred project

We are not planning to provide a response to this question.

15) Power Cost Adjustment Mechanism

We are not planning to provide a response to this question.

16) UTC guidance regarding penalties

We are not planning to provide a response to this question

17) List of costs, benefits & communities for equitable distribution of benefits

We are not planning to provide a response to this question

18) 19.405.040(8) compliance guidance

We are not planning to provide a response to this question

19) 19.405.040(8) compliance data

We are not planning to provide a response to this question

20) Methods to quantify non-energy costs & benefits

We are not planning to provide a response to this question

21) How to interpret 19.405.060(1)(c)(iii)

We are not planning to provide a response to this question

22) Concerning utility calculation of weather-adjusted sales

We are not familiar with the various methods that utilities use to report their weather-adjusted sales. We recommend the Commission schedule a workshop on this topic to allow advocate groups to gain insight into this critical part of the process to allow informed public input. Since weather-adjusted sales are an integral factor in calculating a utilities CETA cost

of compliance, the Commission should definitely adjust rules to clarify this new requirement.

The Commission should definitely establish rules for weather-adjusted sales reporting to assure consistency across investor owned utilities and proper accounting so that utilities will comply with both the intent and letter of CETA.

23) Incremental cost calculation details

One perhaps small detail – we suggest this question be adjusted to say “complies with the Clean Energy Transformation Act” as opposed to “complies with its Clean Energy Implementation Plan”.

See also our response to question 24. We believe the only product the utilities produce with sufficient detail and oversight to inform the cost of compliance calculation is the Clean Energy Implementation Plan, which is produced only every four years. If our recommended approach to calculating CETA cost of compliance is adopted in rules, then the Commission should use each CEIP to clarify a utilities claimed cost of compliance with CETA sections 4 and 5, then use the annual basis reports to determine if the utility is in our out of compliance based on their actual costs identified in the basis report. In the event that actual costs differ from costs calculated from the CEIP, the CEIP cost calculation should be updated with actual costs before a final compliance determination is made. Assessments of the utilities cost of compliance should be made annually, with every basis report, to determine if the cost of compliance calculated from the CEIP accurately reflects the utilities actual costs, as a measure of whether the utility is on track to meet their compliance obligation should the utility relies on the incremental cost of compliance option.

The “true-up” mechanism should occur annually, as actual utility costs are reported in the basis report, by comparing those costs to the cost of compliance calculated from the CEIP. The Commission should establish a rule that the utility revises their cost of compliance calculated from the CEIP should the actual costs of compliance (as reported in the basis report), deviate my more than 1% in any given year from cost of compliance calculated from the CEIP.

24) Utility demonstration of costs for CETA section 4 & 5

We agree with the conceptual equation which depicts the incremental cost of CETA Sections 4 & 5 in any given year X:

$$(\text{Incremental cost of sections 4 and 5 in year X}) = (\text{Cost of investments in year X of lowest reasonable cost portfolio including all CETA requirements}) - (\text{Cost of investments in year X of lowest reasonable portfolio including all CETA requirements except Sec. 4 \& 5})$$

In this depiction the “Cost of investments in year X of lowest reasonable portfolio including all CETA requirements except Sec. 4 & 5” represents utilities IRP analyses that include the CETA social cost of carbon requirement but does not constrain the utility to comply with the CETA carbon neutral or carbon free schedule requirements.

In the event this “portfolio” complies with the CETA section 4 and 5 schedule requirements the utility is not required to do additional analysis. In the event this portfolio does not meet CETA section 4 and 5 schedule requirements, rules should compel the utility to produce an additional CEIP which does meet CETA sections 4 & 5 schedule requirements.

This approach creates two utility portfolios of the proper fidelity to be priced. The price difference between these two portfolios is then compared to the utility’s basis report.

We strongly recommend the Commission not select the utilities Integrated Resource Plan (IRP) or the associated Clean Energy Action Plan as a basis to calculate the CETA cost of compliance. Neither of these documents contain sufficient detail and neither have sufficient oversight. Some utilities may have the requisite fidelity in their IRPs to allow them to be “dollarized”, but in the case of Puget Sound Energy a review of their website clearly indicates their IRP does not. In fact, the PSE statements below, in response to December, 2019 Technical Advisory Group (TAG) member technical inputs reveal ¹:

“Forecasting demand for **specific projects** or geographical areas, like Eastside, is **outside of the scope of the IRP**” – page 11

“[2a] The rationale concerning not providing commercial information to the TAG is that **the IRP process is for generic resource builds and not specific projects**” – page 18

It is clear that PSE does not intend their IRP to include “specific projects”. Since only specific projects can be priced, the IRP produced by PSE cannot be used as a document to inform CETA cost of compliance. The equation above must include the cost of specific projects, not an unpriced comparison of scenarios in an IRP. PSE clearly sees the IRP as a “generic resource build” and not a “priceable” plan to acquire / retire resources. Nor should the Commission.

On this basis we urge the Commission to create rules that call for utilities to create and “price” a “CETA section 4 & 5 compliant” Clean Energy Implementation Plan if the CEIP created from their IRP analysis does not meet CETA schedule targets. The price difference between these two CEIPs would be compared to the utility’s 2% of weather-adjusted annual sales. If that price comparison exceeded the 2% cost of compliance requirement then utilities could appeal to the Commission for CETA schedule relief.

25) Proceeding type & data for utility RE & non-emitting electric generation resource acquisition compliance

Since the subject of the question is the cost of compliance determination, the same type of proceeding used to review the CEIP should be conducted. It would be inappropriate to consider an IRP proceeding for this determination since that document lacks sufficient

¹https://oohpseirp.blob.core.windows.net/media/Default/Comment_Reports/2019_December_IRP_CommentSummary_FINAL.pdf

oversight and is not of universally high pedigree to inform a cost estimate (see the rationale cited in our response to question 24). The Commission should establish rules that require the utility to provide their actual costs of assets acquired, the Request For Proposal (RFP) costs of alternatives the utility considered but did not acquire and the utilities cost-based rationale for not acquiring assets that appear cost competitive based on the actual assets acquired (ie: a cost risk assessment). "Assets" in this case should include all energy generation or load reducing technologies, including but not limited to battery storage and demand response.

26) CEIP and investment planning & cost recovery

We are not planning to provide a response to this question

27) CEIP and rates

We are not planning to provide a response to this question

28) CEIP recovery through general rates cases vs recovery mechanism

We are not planning to provide a response to this question

29) CEIP contents

We are not planning to provide a response to this question

Attachment A: Public involvement revisions to UE-190698 draft rules

- To ensure dialogue, and reduce the likelihood of continued parallel monologues, the UTC should require utilities to solicit IRP topics to be considered in the IRP workplan from members of the public and the advisory group two months before the utility proposes their IRP work plan.
- We appreciate the Commission language to address public participation by introducing the "consult" level of interaction from the International Association of Public Participation. Upon further consideration, we propose using the "involve" level of interaction, which would modify the draft rules as shown below:

- o "Advisory group" means a group composed of utility representatives, commission staff, the public counsel division of the office of the Washington state attorney general, and any member of the public expressing a desire to be involved in the integrated resource plan (IRP) process, which the utility convenes at regular intervals

during the planning process, and with which the utility ~~consults~~ involves in public meetings.

- o "~~Consults~~Involves" means to ~~listen to and acknowledge~~ ensure that your concerns are directly reflected in the alternatives developed, and provide feedback on how public input influenced a decision.

- We applaud the Commission's emphasis on utility summary public participation inputs in the Integrated Resource Plan. We recommend modification of WAC 480-100-610 (16) to include technical inputs from the advisory group members and to include utility rationale for not incorporating technical or public inputs:

- o (16) The utility must provide a summary of advisory group technical inputs received during development of the integrated resource plan, public comments received on the draft integrated resource plan and the utility's responses, including whether or not issues raised in the technical inputs and comments were addressed and incorporated into the final plan. For any technical or public inputs not incorporated into the final plan, the utility will provide its rationale for not doing so.

The matrix may be included as an appendix to the final plan.

- We recommend the following item be added to WAC 480-100-615 (1) Work Plan:

- (h) The proposed method the utility will use to evaluate advisory group technical inputs, including the approach used to achieve consensus on incorporation of advisory group technical inputs in the integrated resource plan analyses.
- We recommend the following item be added to WAC 480-100-615:
 - New sub-section (4) Not later than seventeen months prior to the due date of its integrated resource plan, the utility must invite advisory group members to identify significant topics that will be discussed during the integrated resource plan period.
- We recommend aligning the language of WAC 480-100-620 with prior recommendations to use the “involve” level of interaction between utilities, advisory group members and the public:

- **Public participation.** ~~Consultations~~ Involvement of with commission staff, advisory group members and the public, through public participation are essential to the development of an effective integrated resource plan and two-year progress report. The utility must inform, consult, and involve stakeholders in the development of its integrated resource plan and its two-year progress report.

- (1) The utility must involve and consult with stakeholders in developing the timing and extent of meaningful and inclusive public participation identified in the work plan for both the integrated resource plan and the two-year progress report. As part of its work plan, the utility must provide a link to its website which must be accessible to the public. The website must

be updated in a timely manner and contain the following
information: