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**Comments Relating to Clean Energy Implementation Plans and Compliance with the
Clean Energy Transformation Act, Docket UE-191023
February 28, 2020**

Received
Records Management
02/28/20 16:45
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

(Note: Commission questions in bold, italics. Responses in plain text.)

Clean Energy Implementation Plans (CEIP)

1. CETA stresses the need to maintain system reliability and resource adequacy.5 RCW 19.405.060(1)((a)(iii) requires that the specific actions taken in a CEIP be consistent with the utility’s resource adequacy requirements. What information should utilities include about their system reliability and resource adequacy in the CEIP? For example, should the utilities include detailed information about the resource mix it plans to use to meet system reliability and resource adequacy and how each resource type contributes?

Utilities should provide detailed information about the resource mix it plans to use to meet system reliability and resource adequacy. More specifically, the information should come from – to the greatest extent possible – specific resources that are part of bids from the utilities Requests for Proposals (RFP). This bid information from RFPs should not necessarily be limited to RFPs from that individual utility. Information about specific and real-time resources should be maximized. In addition to specific information about actual generation resources and their related costs, utilities should also provide all of the modeling data that is used to make any calculation related to reliability or resource adequacy.

Utilities should demonstrate how increases in demand response and deep energy efficiency will increase reliability and resource adequacy. Utilities should also publish and rely on studies that demonstrate expected reductions in future costs for demand response, deep energy efficiency (especially loan programs that are paid back with the energy savings), and energy storage. Resource adequacy should not rely just on supply side generation resources, but on the management and integration of demand side resources as well. Integration and coordination of all resources will keep costs down and ensure resiliency as well as reliability.

Utilities should be required to demonstrate how better grid integration would allow better access to shared resources among regional utilities. Studies have shown that moving to a more holistic integration of generation and transmission resources across Northwest utilities would allow for greater resource adequacy and less need for redundant resources.

CEIP Targets

2. RCW 19.405.060(1) requires that by January 1, 2022, and every four years thereafter, each electric investor-owned utility must develop and submit to the Commission a four year CEIP for the standards established under RCW 19.405.040(1) and 19.405.050(1). The plan must propose specific targets for energy efficiency, demand response, and renewable energy. The plan must also propose interim targets for meeting the standard in RCW 19.405.040(1) prior to 2030 and between 2030 and 2045.

a. Should the rules provide that specific targets must be defined cumulatively for each four year period, or identified annually, within the four year compliance period?

The specific targets required for renewable energy, energy efficiency and demand response should be annual targets.

In addition, there are expected increases in the acquisition of energy efficiency, demand response and renewable energy even without CETA. For example, in Puget Sound Energy's 2017 Integrated Resources Plan (IRP), their demand response acquisition flattened out after five years. PSE received much criticism about this low spending in the comments to its 2017 IRP. There was a high expectation that PSE would and should increase its DR spending. Therefore, increases in DR should now be incorporated into PSE's baseline or business-as-usual (BAU) case. For another example, PSE showed in its 2017 IRP that Montana wind resources would provide a comparatively substantial benefit to its winter peak load. As such, there was an expectation that Montana wind would be a valuable resource even without CETA. Such incorporation of renewable energy resources need to now be calculated as baseline or BAU.

If a utility is proposing new gas resources – whether through a new build, or acquisition of existing gas resources, or long-term gas contract – then this proposed acquisition must include the \$74/ton social cost of carbon as a baseline or BAU cost for that resource.

b. Should the Commission require utilities to identify interim targets by resource type or some other metric(s), such as percentage of sales to customers from nonemitting generation and renewable resources?

Utilities should identify how each resource type – e.g. DR or EE – helps meets its peak load and capacity needs.

c. Should the Commission require that interim targets be defined cumulatively or annually for the years prior to 2030? For the years between 2030 and 2045?

Both, especially for the near-term target of 2030. Given the utilities will be on a learning curve, especially out to the first compliance period of 2030, it is appropriate to have both annual and cumulative information on the targets needed to reach this first milestone.

3. RCW 19.405.060(1)(c) requires the Commission to approve, reject, or approve with conditions the CEIP and associated targets after a hearing. With conditional approval, the Commission may recommend or require more stringent targets. Are there circumstances in which the Commission can

and should recommend, rather than require, more stringent targets? If so, when should the Commission recommend more stringent targets and on what basis could and should the Commission not require more stringent targets?

If utilities are not on track to meet their 2030 requirements, then the Commission should modify the CEIP in such a way as to insure the utility is on track. Initial compliance assessment should ensure utilities are not lowballing the targets thereby making later on-track compliance more difficult.

If additional cost analysis is needed to assess the impact of these modifications or conditions, then the utility should prioritize this analysis and ensure all data used for this analysis is made available for the Commission to review and for the public to review with non-disclosure agreements as necessary.

It also depends on how the utility is defining its base case or BAU case. As stated above, increases in acquisition of demand response, energy efficiency and renewable energy are already expected even without CETA. If a utility maintains the same level of spending for these resources, then increases should be mandated through conditions and many or most of these increases should be incorporated into the base case or BAU case.

4. RCW 19.405.060(1)(c) allows the Commission to periodically adjust or expedite timelines when considering a utility's CEIP or interim targets. A common Commission practice is to respond to a motion to adjust timelines from any party with standing in a proceeding at any time or after hearing a compliance item at an open meeting.

a. What criteria should the Commission take into account in making changes to timelines?

Given utilities are on a learning curve for compliance with CETA and CEIP, it is better to frontload obligations to avoid slippage if non-compliance later appears to become a concern. In this front loading to achieve targets, utilities also have to consider future cost reductions that are expected for EE, DR, storage and solar. For example, they should not front load costs in the early years for battery storage when the majority of economic forecasting shows continued drop in the future cost of battery storage.

In addition, and as stated above, how the utilities establish their base case or BAU case will be critical. In fact, an accurate accounting of this baseline will be as important, or perhaps more important, than costs of compliance associated EE, DR, RE and storage.

b. When should the Commission consider adjusting or expediting the timeline? How should the Commission interpret the term "periodically?"

The term "periodically" should be interpreted broadly. The Commission should not deny any tools or interpretation that can assist it in ensuring that the 2030 targets are met.

c. Who bears the burden of demonstrating that adjusting or expediting the timeline can or cannot be achieved in a manner consistent with RCW 19.405.060(1)(c)(i)(iv)?

Utilities bears the burden. In establishing a path to compliance utilities must show all resources acquisitions – especially those new acquisitions that will go into the new baseline – early in the process. For example, the 2022 CEIP must document its increased clean energy investment in the new baseline or BAU. In addition, utilities must identify and commit to full disclosure of costs and calculations that go into any additional resources that are needed.

5. What level of additional detail, if any, should the specific CEIP targets include beyond the statutory language?

Moving off of fossil fuel is at the core of the new CETA law. As such, all the IOUs must provide a complete breakdown of existing gas resources, including those market purchases that include gas resources, in their CEIP. The CEIP must address how it will ramp down those gas resources over time, including market purchased gas resources, in its 2022 CEIP and beyond. Since we know that all coal-related resources will no longer be allocated in electricity by the end of 2025, the primary issue will be how these IOUs address their existing and any possible expected future gas that is needed.

The early years are expected to be easier for compliance. The utilities' E3 study showed the greatest cost concern about compliance in the out years for the 2045 requirement. If the utilities stand by this study, then they must front load their compliance to demonstrate that they are on the path for full compliance in 2030. Again, this does not mean buying hundreds of megawatts of battery storage in 2022 if those costs are expected to be considerably cheaper in 2026. Beyond this one example, there is still ample opportunity to front load efforts for EE, DR and RE.

a. For energy efficiency, the target required by the Energy Independence Act, RCW 19.285.040(1)(a), follows methods consistent with those of the Pacific Northwest Power and Conservation Council and only considers first year savings. Should the energy efficiency target in the CEIP be based on cumulative savings, savings projected over the lifetimes of measures implemented in a given program year, or capacity savings?

The energy efficiency target should be based on the estimated lifetime savings of the projects, the peak times of the measures and any capacity savings. If estimate were on based on the first year(s), then efficiency programs would be tilted toward short-term efficiency projects. Many efficiency projects will have greater savings over long periods of time. And given CETA is about getting to 100% clean electricity over the next 25 years, long-term investments for efficiency projects should be pursued and valued for their long-term benefit. Additionally, efficiency measures do not just lower demand, but can lower peak resource needs and reduce line loss from transmission lines.

b. For demand response (DR):

i. How should the Commission develop a cost test to identify cost-effective demand response, as referenced in the Commission's draft rules under WAC 480-100-610(12)(e) (See Integrated Resource Plan Rulemaking, Docket UE-190698, Staff Discussion Draft Rules (Nov. 20, 2019))?

A cost test should include the full list of benefits. For example, utilities could focus on residential and commercial hot water heaters to be programed to shift peak demand. These benefits should include:

- a) peak load reduction system-wide, potentially avoiding generation and transmission upgrades
- b) peak load reduction at specific locations, potentially avoiding distribution system upgrades
- c) load shifting from on-peak to off-peak, providing a storage function
- d) load shifting from on-peak to off-peak, providing a line loss reduction energy savings benefit (losses are much higher on-peak).
- e) ancillary services benefits at the generation level, such as frequency regulation and spinning reserve
- f) ancillary services benefits at the distribution level, such as voltage control.

Unless a single RFP seeks to acquire and compensate for all of these, then some resources will not be competitive. Water heaters may be in that category. The controls are not cost-effective if the only product compensated is the peak load system relief.

ii. Should demand response potential be considered only within a utility's service territory or encompass the utility's entire balancing authority?

Does this depend on how credit is given? If the DR is benefiting other utilities, how does that help the utility achieve its target? And would there be concerns about double counting, e.g. two utilities claiming the same DR benefit?

c. For renewable energy:

i. How should the utility calculate its target? Should it be a glide path to 2030, glide path to 2045, or both?

Priority should be placed on achieving 100% renewables by 2030. Alternative compliance should only be used as a backstop if a utility cannot meet 100% of load with clean energy resources. In addition, renewable resources need to be prioritized over non-emitting resources.

6. Should the CEIP contain time ranges for the acquisition of capacity resources, or deadlines for acquisition?

Time ranges may be appropriate given the potential "lumpiness" of acquisitions. However, since there can be delays in acquisitions, adequate time at the beginning of a compliance period should be anticipated and planned for.

Public Process

7. What guidance (content and form) should the Commission provide to ensure utilities employ robust, equitable, and inclusive public involvement in drafting CEIPs?

Utilities should provide drafts CEIP before the January 2022 deadline to ensure robust review of this draft before it is submitted as a final draft in January. This draft must include full disclosure of all the data files to ensure robust and transparent calculations and accounting. The conduct of the CEIP should be very similar to that of the IRP with a robust stakeholder process and regular public engagement with public comment and a public hearing before the draft is submitted.

While IRP stakeholder processes could serve as a model, current IRP processes have failed. For example, there have been multiple and ongoing complaints about Puget Sound Energy's IRP process. The Technical Advisory Group has issued repeated complaints about questions insufficiently answered, comments being ignored and data being withheld. The TAG process is not collaborative. It is two one-way dialogs. Any CEIP process must not repeat the failures in the current IRP processes. Instead of just "inform or consult," the process needs to "involve and collaborate" with stakeholders.

The upcoming 2021 IRP and Clean Energy Action Plan should operate as a test run for the CEIP. Since the CEIP is to be based upon these two plans, these plans then must include a level of specific resources and costs identified preferably from an RFP from that utilities or other utility RFPs in order to maximize the ability for the CEIP to be based upon the IRP and CEAP. More specifically for IRPs, since these 20-year plans include Five Year Action Plans, it is these Five Year Action Plans that should include all the project specific detail that would go into a CEIP.

Since Gov. Inslee has now issued Directive 19-18 requiring an assessment of upstream and downstream emissions of new major fossil fuel resources, utilities should include an assessment of its upstream emissions from its existing and proposed new gas projects. This assessment should follow the guidance established in the Governor's directive. All of the information and data files for this assessment must be made available.

Since the CEIP is supposed to have legally-binding targets approved by the Commission, an adjudication of the plan is appropriate. This adjudication should not lessen, in any way, a robust public participation process as outlined above. Within or near the end of an adjudication, additional and meaningful public process such as a comment period and public hearing may be appropriate. If there is an equivalent of a Technical Advisory Group, then this group needs to be given meaningful engagement on the resolution of the adjudication even if they are not an intervener in a formal legal process.

8. Given the need for utilities to integrate their integrated resource plan (IRP), clean energy action plan (CEAP), and CEIP, what procedural outline should utilities' public involvement follow and what components (e.g., advisory groups, workshops, comment periods, etc.) should be included? How should a CEIP public engagement and public involvement process emulate or differ from the proposed rules in the IRP rulemaking (See Integrated Resource Plan Rulemaking, Docket UE-190698, Staff Discussion Draft Rules at 17 (Nov. 20, 2019)) or the conservation planning process in WAC 480-109-110 and WAC 480-109-120? Please describe in detail.

The CEIP should replicate the process for the IRP, including all the improvements that are expected from docket #190698, as long as improvements needed in the current IRP processes are included in the CEIP process.

Good public process could be modeled after the guidelines in the International Association for Public Participation. Information found here: <https://www.iap2.org/mpage/Home>

One of the critical outcomes for IRP processes in docket #190698 and for implementation of the CEIP will be to finally require that utilities disclose the data used to make calculations for any plans and acquisitions for RFPs, IRPs, CEAPs and CEIPs. If these data files are deemed confidential, then the Commission can oversee the administration of which organizations or individuals would be eligible to review these data sets with non-disclosure agreements. Regardless of how the information is made available for government and public review, the practice of withholding this data must stop. Many other states now require this data disclosure including Puget Sound Energy's previous owners of Macquarie and the Canadian investment firms who also owned Cleco Power in Louisiana. Cleco Power in Louisiana provided the Sierra Club with these types of data files. Why can't Puget Sound Energy?

9. Would a requirement for a utility to file a draft CEIP for public input be useful or problematic if the plan were to be litigated? Please explain why or why not.

Yes it would be useful and essential for a utility to file a draft CEIP. The threat of potential litigation should not stop good process. If the lawsuits are based upon concerns related to confidentiality, then design processes to address that concern.

Demonstration of Compliance with RCW 19.405.030, 040, and 050

10. The Commission uses a planning and reporting cycle for conservation under the Energy Independence Act described in WAC 480-109-120. Should Commission rules similarly describe the level and frequency of reporting for demonstrating compliance with RCW 19.405.030, 040, and 050?

Initially every year, and then if the utilities show consistent progress toward meeting the targets, then the Commission could shift to every other year.

11. Regarding the frequency of filings:

a. Should utilities regularly file reports on their progress toward meeting compliance metrics?

Yes. Perhaps annually.

12. How must a utility demonstrate to the Commission that the utility has eliminated coal-fired resources from its allocation of electricity beginning in 2026, as required in RCW 19.405.030?

Utilities should provide legally-binding documentation that there is no coal in their allocation of electricity. This documentation may need to be more than an affidavit or attestation. For their state

fuel mix reports, similar evidence may need to be provided for both “claims on resources” and “market purchases.”

For utilities like Avista and Pacific Power that serve multiple states, they will need to provide additional documentation on how they are allocating their existing resources, including market purchases, to the other states in their service territories. To the greatest extent possible, any resource shuffling should be stopped. There will be no emissions benefit if Pacific Corp moves coal resources out of Washington just to reallocate those existing resources to other states.

13. If the Commission has four years of investment information from a utility when approving its CEIP:

d. How often should the Commission require the utility to update the investment plans to reflect changing information?

e. May the updates be informational filings, or should they be formal filings subject to Commission approval?

Initially, utilities should provide a filing every year with Commission approval every other year. If utilities demonstrate that they are on a clear path to compliance, then they could move to submitting reports every two years.

Compliance, Enforcement, and Penalties

16. RCW 19.405.090 provides that upon its own motion or at the request of the utility, and after a hearing, the Commission may issue an order relieving the utility of its administrative penalty obligation, if certain conditions are met. Does the Commission need to provide more guidance on the application of penalties and waivers of penalties in rule? If yes, please describe what additional guidance should the Commission provide.

Before considering potential compliance relief, utilities must show that they identified all new spending that should be incorporated into its new baseline, e.g. social cost of carbon and increases in DR spending. Utilities must show that they identified specific acquisition resources. And utilities must disclose all data associated with analysis for the new baseline and proposed acquisition resources.

However, it appears premature to be making decisions about penalties when no such action will be taken for another 10 years. Perhaps any rulemaking on this portion can or should be delayed. Let’s see how implementation goes for the first CEIP.

Incremental Cost of Compliance

22. RCW 19.405.060(3) requires an electric investor-owned utility to use its weather-adjusted sales revenue to customers as reported in its most recent Commission basis report (CBR) as part of its incremental cost calculation. Each investor-owned utility is different in how it reports its weather-adjusted sales revenues and adjusts its sales for “weather.”

a. Should the Commission standardize its CBR rules to be able to effectively implement the incremental cost calculation requirements in RCW 19.405.060(3)? If so, please describe how the Commission should revise those rules.

Utilities need to move beyond solely relying upon historic weather data. It is now clear that future weather patterns will continue to change providing Washington with warmer and wetter winters, dryer summers and more extreme weather events. There are many predictive models that should be used to assist utilities for this predictive modeling, including but not limited to the University of Washington's Climate Impacts Group.

b. Can the Commission allow each utility to use a different weather normalization method and still create a consistent methodology for calculating incremental cost?

The basis for weather normalization should be the same for all utilities as provided by organizations such as UW's Climate Impacts Group. Within this standardized data, there may be variations based upon specific service territories, e.g. weather impacts for Western Washington are likely different than Eastern Washington.

23. RCW 19.405.060(3)(a) states that an electric investor-owned utility complies with its Clean Energy Implementation Plan if, over a four-year compliance period, the utility's average incremental cost to comply with RCW 19.405.040 and 19.405.050 increases by two percent over the utility's weather-adjusted sales revenue.

c. If a utility relies on the incremental cost compliance option as detailed in RCW 19.405.060(3)(a), when should the Commission determine whether the utility has achieved the incremental cost threshold for compliance? For example, should the Commission determine the utility's compliance based on a forecast, at the time the utility files its Clean Energy Implementation Plan, based on actual data at the conclusion of the four-year period or through interim reporting, or a combination of these options?

The Commission first must ensure that the new baseline or BAU case includes all expected increases in spending that would have occurred without CETA, e.g. increases in EE, DR and RE spending. Second, the Commission must ensure that the cost of compliance is only applied to Section 4 and 5 of the Act. It was never intend to include the social cost of carbon, equitable distribution of benefits or any other section of the Act.

The utilities calculation should be based upon actual data and utilities should be maximizing the incorporation of real projects from RFP bids within its own service territory or the closest proximity for its data thus minimizing speculation related to forecasting.

Compliance should be evaluated at the end of the four-year cycle.

d. If the Commission allows a utility to forecast its reliance on the incremental cost of compliance option, and the utility's actual incremental costs increase more or less than two percent averaged over the four-year period, would a true-up mechanism be allowed and necessary to reconcile the differences between the actual and the forecasted incremental cost?

All data must be fully disclosed. As described above, the Commission can be the gatekeeper for which organizations can review the data and to what extent non-disclosure agreements are necessary.

Forecasting too often is wrong and leads to conservative programming by utilities. The prime example of this behavior is in the implementation of all cost effective energy efficiency programs for I-937. Consistently, utilities have low-balled their efficiency targets. This practice not only reduces cost-effective savings for customers, it consistently lowers expectations of what can and should be achieved. This type of practice should be stopped for I-937 and this mistake should not be repeated for the CEIP.

24. When using the incremental cost compliance option, RCW 19.405.060(3)(a) requires all of a utility's costs to be directly attributable to the actions necessary to comply with RCW 19.405.040 and RCW 19.405.050. How should the Commission require a utility to demonstrate that such actions were "directly attributed and necessary" for the utility to take only to comply with CETA?

As stated above, establishing how the utilities calculate their new baseline or BAU case will be critical. Increases in DR, EE, RE and already expected without CETA. Now the \$74/ton social cost of carbon must also go into that new baseline.

Once this robust and transparent baseline is established, any incremental cost must be compared to what would have been purchased without CETA. For example, if the incremental cost of wind with shaping resources is compared to new gas, first we must know what is the intended purpose of those resources: which is intended for peak or capacity; what ancillary benefits also accrue beyond peak and capacity; how are these new renewables providing longer-term benefits by diversifying renewable resources?

In addition, any shaping resources such as battery or pumped hydro also must include an assessment of whether the price of this shaping resource is expected to decline over time. If so, then that future cost reduction also must be put into that calculation, or perhaps the acquisition of that shaping resource can be delayed while the new renewables are being incorporated into the utility system.

25. RCW 19.405.060(3)(b) states that if a utility relies on subsection (a) (incremental cost as a basis of compliance), the utility must demonstrate that it has "maximized investments in renewable resources and nonemitting electric generation prior to using alternative compliance options." In what type of proceeding should the Commission require a utility to demonstrate that it has maximized investments in renewable resources and nonemitting electric generation? What documentation should the Commission require the utility to provide?

The process to review compliance with CEIP should include a robust public participation process including stakeholder groups, regular public meetings, and a pre-draft that is subject to public review.

The utilities must provide any RFP that are used to solicit resources and the results of those RFPs. Bids from these RFPs should be included into and become the basis for the draft CEIP. If such RFPs are not available, then any other actual bids from RFPs should be referenced. We acknowledge that bids in RFPs can be negotiable and therefore may raise questions to what extent they can be relied upon. However, real-world projects, especially those that have gone through the bidding process, need to become part of the basis for calculating what is an incremental cost.

Cost information within the CEIP

26. How should the utility address investment planning and cost recovery in its CEIP?

Any CEIP plan that is not based upon actual projects may be of limited use. Since the cost of compliance may be a marginal difference, to calculate whether a utility is in compliance should be based on real data to the greatest extent possible. Cost recovery should be based upon the rigor the utilities use to create their new baseline with already-expected increases in spending, upon the use of real-world projects rather than just modeled project scenarios, and upon the full disclosure of all data use for CEIP and compliance.

29. Should the Commission require a utility to provide in its CEIP (a) information on program budgets related to incremental programs for compliance with CETA; (b) descriptions of, and details about, capital budgeting for all investment; or (c) both?

Both. Full disclosure.

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