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**Comments Relating to Electricity Purchases and Compliance with the Clean Energy Transformation Act, Docket UE-190837**

Western Grid Group (WGG) appreciates the opportunity to provide comments in the matter of updating the purchases of electricity (PoE) rules in WAC 480-107, and to consider whether additional rules are necessary to implement the Clean Energy Transformation Act (CETA).

WGG is a not-for-profit public interest organization that has been actively involved in major state and regional planning initiatives in the west since 2003. The group is staffed by former state regulators, clean energy project developers and state officials. We work to develop and implement policies that enable the development of a deeply decarbonized, diversified, and reliable grid within the Western Interconnection. We work to:

- Ensure policies that enable western states to achieve carbon free goals, consistent with both greenhouse gas reduction targets established by the Intergovernmental Panel on Climate Change, and a growing number of western state requirements, including Washington’s CETA; and
- Ensure that utility system planning and procurement practices incorporate all cost-effective zero emission resources, energy efficiency, flexible demand resources, energy storage, and distributed generation: and
- Ensure equitable distribution of access to clean energy benefits across all stakeholder classes, and minimization and mitigation of potentially detrimental electric sector environmental, economic, and health impacts.

We believe that market and procurement mechanisms are vital to the creation of policy platforms that will properly incentivize the adoption of new technologies that provide reliability benefits to the grid. We commend the Washington State Utilities and Transportation Commission (WUTC) for addressing the importance of the PoE rules, and their conformance to CETA requirements. Our comments follow.

BEFORE THE STATE OF WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF UPDATING  
THE PURCHASES OF ELECTRICITY  
RULES IN WAC 480-107, DOCKET  
# UE-190837

**COMMISSIONERS**

David Danner, Chairman  
Ann Rendahl, Commissioner  
Jay Balasbas, Commissioner

**Comments of Western Grid Group**

Note: We include invited UTC questions in bold italics below, and responses in plain text.

**1. *Do the requirements of RCW 19.405.040(8) affect how utilities acquire resources? If yes:***

***a. Will utilities ever need to solicit requests for proposals (RFPs) solely to comply with RCW 19.405.040(8) (e.g., acquire equity-specific resources)? Or should compliance with RCW 19.405.040(8) be evaluated only with respect to generation, conservation, and other resources acquired by utilities as a result of other regulatory and system needs?***

Western Grid Group (WGG) is *somewhat* neutral on the question of whether utilities should solicit separate equity-specific RFPs. Efficiency goals might suggest that equity provisions be included in all solicitations, rather than separated. However, there may very well be opportunities to better address equitable distribution of benefits – as well as mitigation of detriments across customer classes, through specific solicitations aimed at innovative consumer programs, new incentives and rate designs, and other mechanisms. Most importantly, WGG advocates that the set of recognizable benefits and potential detriments to electricity customers be well defined, and that the methodologies used for their evaluation should be consistently utilized by all electric utilities. WGG recommends that these benefits and potential detriments, as well as evaluation methodologies should be determined through a robust stakeholder process overseen by the UTC.

***b. What, if any, revisions should be made to the solicitation content requirements in WAC 480-107-025(1) to incorporate the provisions of RCW 19.405.040(8)?***

WGG recommends adding the following to WAC 480-107-025(3):

“The RFP must explain general evaluation and ranking procedures the utility will use in accordance with WAC 480-107-035 project ranking procedure. The RFP must also specify any minimum criteria that bidders must satisfy to be eligible for

consideration in the ranking procedure. The RFP should also explicitly convey that bidders should include as part of their proposals, specific measures that will enable an equitable distribution of benefits and mitigation of potential detriments resulting from their proposed initiatives, across all customer classes.

**c. What, if any, revisions should be made to the project ranking procedures in WAC 480-107-035 to incorporate the provisions of RCW 19.405.040(8)?**

WGG concurs with Public Counsel’s comments on this point, and is in agreement with their proposed language revision to draft rule WAC 480-107-035(2):

“At a minimum, the ranking criteria must recognize resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, credit and financial risks to the utility, the risks imposed on ratepayers, public policies regarding resource preference adopted by Washington state or the federal government, environmental effects including those associated with resources that emit carbon dioxide, resiliency attributes, equity attributes, and reliability costs and benefits. The ranking criteria must recognize differences in relative amounts of risk inherent among different technologies, fuel sources, financing arrangements, contract provisions, and be consistent with the avoided cost methodology developed in the utility’s most recently acknowledged integrated resource plan.”

**d. What, if any, additional summaries of solicitation responses would assist with understanding bid proposals pursuant to the requirements of RCW 19.405.040(8) (e.g., geographic location of proposed projects, bidder information such as women and minority owned business certifications, etc.)?**

WGG believes that a number of criteria would assist in evaluating equity, including, a proposed project’s impact on:

- State treasury gains, local and municipal tax base impacts;
- Job creation by geography, specified in terms of temporary and permanent employee hours, and median salaries;
- Greenhouse gas and other pollutant reductions;
- Customer access to clean energy projects, through green pricing programs, community project participation, or other mechanisms;
- Identification of any mitigation efforts aimed at obviating negative community impacts, such as impairment to scenic vistas, potential property diminution, encroachment upon critical wildlife habitat, or other environmental or human health impacts.

- 2. To what extent should the requirement to issue an RFP under WAC 480-107-015 be tied to the IRP versus the CEIP? Should the PoE rule contain the triggers for invoking sections of the PoE? If so, which rule, CEIP or IRP, should describe the measurement of the metrics on which the threshold trigger is based?**

WGG believes RFPs should be tied to the IRP, which results in the ten-year Clean Energy Action Plan (CEAP). The goals and implementation plans produced in the CEIP are delineated in the CEAP, and should therefor continue to drive the requirements for electric utilities to issue RFPs.

- 3. The draft rules rely on the results of the of the Northwest Power and Conservation Council's (Council) resource adequacy study in determining whether an exemption from issuing an RFP may be granted (WAC 480-107-015(4)(b)).<sup>3</sup> In addition to the work of the Council, members of the Northwest Power Pool are working to develop a resource adequacy program.**

- a. Should the rules allow the use of a resource adequacy analysis conducted by other entities in addition to the Council?**

WGG is supportive of the rigor and integrity of the Northwest Power and Conservation Council's (NWPPCC's) resource adequacy analysis, but we see no reason to disallow independent analysis by others.

- b. To what extent should transmission modeling be required in the resource adequacy analysis?**

WGG wholeheartedly supports the inclusion of transmission modeling in resource adequacy (RA) analysis. First, it is worth noting that transmission is every bit as essential to overall system reliability and resilience as generating resources are. Secondly, resource adequacy is not simply a construct of the capacity factors and availability of available generation and reserve sharing resources; transmission access is a fundamental component of RA. As the West further expands participation in the Energy Imbalance Market, moves toward the Extended Day Ahead Market, and ultimately toward a West-wide Regional Transmission Organization, the dynamics of our Western Interconnection transmission system will continue to change. Transmission modeling will continue to be critical.

- 4. The draft rule at WAC 480-107-AAA requires the use of an Independent Evaluator under certain circumstances.**

- a. Should the utility be required to have an independent evaluator examine the utility's performance as a developer in the case of a utility proposing to self-**

***build or a utility's subsidiary or affiliate bidding in a build-to-lease or build-to-own project?***

WGG believes that the Independent Evaluator (IE) requirements of WAC 480-107-AAA should also apply to a utility's proposed self-build project, as well as those projects proposed by a utility affiliate as a Build-Own-Operate or Build-to-Lease undertaking. The requirements should also apply to any third-party developer submitting a proposal in response to an electric utility's RFP.

Moreover, WGG recommends the following revisions to WAC 480-107-AAA (revisions in italicized, underlined font):

- WAC 480-107-AAA (4)(b): ... Verify that the utility's, *utility affiliate's, or third-party developer's* inputs and assumptions including, *but not limited to current resource costs, resource capacity factors, resource sufficiency, resource adequacy, associated transmission and interconnection costs, permitting and entitlements, and site control* are reasonable;

WGG also has experience working *as* and working *with* IEs in utility RFPs, and has concerns that IEs are sometimes guided by the utility, and that utilities sometimes have undue influence on their IEs' final reports. WGG advocates that IEs commissioned by utilities should have an interactive role that consists of more than a report to the Commission at the conclusion of the bid evaluation process. Rather, we recommend that utility-commissioned IEs should have multiple interactions and interim reports to the Commission during the duration of the bid evaluation process, which may – if feasible, include in-person meetings that include both Commission staff and the utility convening the procurement process. The goal would be to allow IEs to raise or quash any concerns about the bidding process before staff, and demonstrate that their input is truly based upon their own independent, experienced-based opinions and recommendations. We therefore recommend additional revisions as follows:

- WAC 480-107-AAA (5): The independent evaluator will provide ~~an initial~~ *interim reports* to the commission ~~at the conclusion of the~~ *during each sequential screening* process, before reconciling project rankings with the utility, and a final report after reconciling rankings with the utility in accordance with WAC 480-107-035(4) Project ranking procedure. *The Commission should make available at least one in-person, public gathering of the IE to present interim findings to Commission staff and to invite public comments and inquiries.*

WGG also wishes to express our belief that

- b. Should there be a MW or MWh threshold to determine whether an independent evaluator should be used? Should it be different than the threshold triggering a utility to comply with the requirements regarding an RFP?***

WGG believes the current 50 MW threshold is inappropriate, given that we expect many more distributed and community-scale projects to be introduced in our current planning horizons. Given that many new project additions will be subject to the Federal Energy Commission's (FERC's) distinction between Small and Large Generator Interconnection Agreements (SGIA and LGIA), we believe the appropriate threshold should conform to FERC's distinction between SGIAs and LGIAs, which is 20 MW. Our reasoning is that the complexity, uncertainty, lead time, commercial development time, and financing risks are significantly lower for a process requiring an SGIA, and accordingly, higher for projects over 20 MW.

***c. The draft rule at WAC 480-107-035 provides a list of items that must be included in the ranking criteria. Those items may expand under CETA, especially for RCW 19.405.040(8). What items should be in the criterion list and included in the independent evaluator's scope of work?***

The ranking criteria included in WAC 480-107-035 include:

Resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, credit and financial risks to the utility, the risks imposed on ratepayers, public policies regarding resource preference adopted by Washington state or the federal government and environmental effects including those associated with resources that emit carbon dioxide. Given that many future renewable, zero emission, storage, and other projects will be proposed by third-party developers, it seems reasonable to consider typical project development risks, such as site control, permitting and entitlement status, supply chain risks (including foreign currency risk), counterparty risks, changes in public policy (sun setting of tax credits or other incentives), and others.

In addition, as mentioned in Question 1, there will be a need to clearly define equity-specific resources, the potential benefits and detriments associated with those resources, and how those must be considered in the context of WAC 480-107-035.

We reiterate that these equity specific criteria and evaluation methodologies should be well defined and documented through a robust stakeholder process overseen by the UTC.

RESPECTFULLY SUBMITTED this 13th day of March, 2020.

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