

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of)
) DOCKET NO. UE-161024
WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION) COMMENTS OF THE INDUSTRIAL
) CUSTOMERS OF NORTHWEST
Rulemaking for Integrated Resource) UTILITIES
Planning)
_____)

I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission’s
 (“Commission”) September 6, 2016 Notice of Opportunity to File Written Comments (“Notice”)
 in the above-referenced docket, the Industrial Customers of Northwest Utilities (“ICNU”) files
 these Comments. ICNU appreciates the opportunity to provide its perspective on the
 Commission’s integrated resource planning (“IRP”) rules and process and looks forward to
 participating in subsequent phases of this docket.

2 ICNU’s Comments below track the issues as presented in the Commission’s
 Notice. ICNU limits its response to those issues on which it has a position at this time. ICNU
 may develop its positions on these and other issues within the scope of this proceeding as it
 progresses.

II. COMMENTS

A. General

3 The Commission asks whether other issues should be addressed in this proceeding
 that have not been identified in its Notice and requests input on the schedule for this docket.

PAGE 1 – COMMENTS OF ICNU

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

BRADLEY G. MULLINS
Consultant, Energy & Utilities
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 954-2852

While ICNU does not have additional issues to propose at this time, it notes that the Commission is potentially proposing a highly ambitious rulemaking that covers a number of complex areas. For instance, the Notice seeks input on both the IRP and request for proposals (“RFP”) processes, each of which could be the subject of their own individual rulemakings. Consequently, ICNU recommends that stakeholders develop a schedule for this proceeding after the December 7, 2016 workshop, when the scope of this rulemaking may become clearer.

B. Energy storage

4 The Commission’s Notice requested feedback on whether Docket UE-151069, a Commission investigation regarding energy storage technologies, should be merged with this rulemaking proceeding. While ICNU has not offered comments in Docket UE-151069, ICNU is not opposed to merging the two dockets.

5 As a general comment on energy storage technologies, ICNU is of the opinion that the utilities have done a reasonable job modeling energy storage technologies in recent IRPs. One of the reasons energy storage technologies can be difficult to model in IRPs relates to the fact that many different energy storage technologies exist, and that each of type of technology often possesses distinct attributes. These resource-specific attributes (such as the amount of energy that can be stored, how quickly it can be returned, losses, etc.) can have a material impact on the value of energy storage resources in an integrated utility system, yet most utility dispatch models often do not possess the logic to be able to capture the impacts of all of these attributes. For that reason, utilities have often relied on supplemental analytical methods in order to compare the system value of energy storage resources to other resources. Under such an

approach, supplemental modeling tools are used to estimate the economic benefits of energy storage systems, which otherwise are difficult to capture directly in an economic dispatch model.

6 Nevertheless, given the cost of energy storage technologies, ICNU believes that the use of out-of-model calculations to estimate the relative benefits of energy storage resources likely has little impact on the reasonableness of the preferred portfolio ultimately selected. In PacifiCorp’s 2015 Integrated Resource Plan, for example, the cost of a lithium ion battery facility was about \$10,160/kW, around ten times the cost of a combined cycle. Consequently, with existing technology, any differences between the utilities in terms of how they model energy storage in their IRPs is likely irrelevant. As technology progresses, this may change, at which time the Commission may wish to look more closely at how the utilities model energy storage.

C. Requests for proposals (“RFP”)

1. RFP Requirements

7 ICNU agrees that the Commission should amend WAC 480-107-015 to clarify when a utility must issue an RFP. Rather than focusing on a utility’s need for capacity, an RFP should be required whenever the utility proposes to acquire a “major resource.” ICNU proposes defining a “major resource” as any generating resource with a nameplate capacity of 50 megawatts (“MW”) or greater. Multiple smaller projects that are on the same site or within one mile of each other and aggregate to 50 MW would collectively be considered a “major resource.” “Major resources” also could be expanded to include alternatives or accompaniments to generation, including demand response and energy storage. Ultimately, given the cost and time

requirements of issuing an RFP, the threshold for necessitating one should be high enough that an RFP makes sense for customers from a cost-benefit perspective.

8 In order to account for the reality of utility-build bias, if the utility or one of its affiliates bids into the RFP, it should be administered by a qualified, independent third party that receives and scores all bids. This will help to ensure a transparent and fair process that puts third-party bidders on an equal footing with the utility, thereby ensuring greater competition and, ultimately, lower costs for customers. This third-party evaluator should be retained and paid by the Commission. The utility would reimburse the Commission for these payments (or pay into a fund up front that the Commission draws from) and they would be recoverable in the rates of the utility's customers.

9 Because, under ICNU's proposal, an RFP would only need to be issued for a "major resource," RFPs would not necessarily be tied to a biennial cycle. ICNU agrees with the utilities that if they propose in their IRPs to meet their capacity needs with market purchases, no RFP is necessary. If the utility can show in its IRP that relying on the market is the lowest reasonable cost strategy for customers, then there is no reason to issue an RFP. Alternatively, if the utility proposes to rely on the market but cannot show in its IRP that this is the lowest reasonable cost strategy, then the Commission simply should not acknowledge this portion of the IRP.

10 Nevertheless, RFPs should still be tied to the IRP process, as this usually is where the utility would first make its case that it needs to acquire a new "major resource," and thus, establish the need to issue an RFP. ICNU does not, however, see the necessity of continuing to make WAC 480-107-015 as prescriptive as it is, by requiring the utility to issue an RFP within

135 days of the filing of its IRP. Rather, an RFP should be issued when it makes sense based on the timing of the need for a new “major resource,” whether this is more or less than 135 days following the IRP. Additionally, there may be instances in which a utility is confronted with a need for a “major resource” between IRP cycles. The utility should still be required to issue an RFP if possible. If the timing requirements for acquiring a “major resource” do not allow for an RFP, however, the utility could request a waiver upon a showing of good cause.

11 ICNU does not, however, support a requirement to issue RFPs for conservation resources, except possibly in situations where the utility is proposing to acquire substantial amounts of conservation. In most cases, an RFP is likely to be too expensive to justify its use for energy efficiency, and if factored into the cost of acquiring that energy efficiency, could impact its cost-effectiveness, which in turn may reduce the utility’s conservation potential.

2. Market Risk

12 The Commission’s Notice posits the benefits of modeling market risk in the IRP. Puget Sound Energy (“PSE”) performed such modeling in its 2015 IRP, which the Commission acknowledged.^{1/} ICNU opposed PSE’s modeling of market risk, although this related primarily to the contribution to capacity PSE assigned to market purchases as a consequence of the risk it assumed for these purchases, and not necessarily the concept that reliability risk may exist with market purchases.^{2/} PSE’s modeling produced an 84% capacity contribution for market purchases, which ICNU noted was far below the historical reliability of such purchases.^{3/}

^{1/} Docket Nos. UG-141169/UE-141170, Commission Acknowledgement Letter at 6 (May 9, 2016).

^{2/} Docket No. UE-141170, ICNU Comments at 5-7

^{3/} Id. at 6.

13 Accordingly, if the Commission chooses to pursue the modeling of market reliability risk in future IRPs, it should establish criteria that ensure such risk is realistically portrayed. ICNU notes that this is likely to be a complex and dynamic process, where the level of reliability risk of market purchases changes depending on regional resource adequacy, market developments, and other factors.

14 Currently the region is in a surplus capacity state, which would indicate that relying on the market for capacity involves relatively little reliability risk. The Northwest Power and Conservation Council (“Council”) projects that the region will move to a capacity deficit position by 2021, however, which may result in increasing market reliability risk as the region moves closer to this capacity deficit position.^{4/} At the same time, utilities and third-party developers will presumably respond to this forecast of capacity deficit and build new resources. The Council notes that Northwest utilities already have approximately 550 MW of capacity planned to be in service by 2021.^{5/} A model of market reliability risk should be able to respond to these changing regional dynamics.

15 Additionally, broader market developments, such as the Energy Imbalance Market and the creation a regional independent system operator, will also likely impact market reliability risk. Assumptions related to such developments should be accounted for in the utility’s modeling and transparently conveyed to stakeholders.

^{4/} Pacific Northwest Power Supply Adequacy Assessment for 2021 at 4 (Sept. 27, 2016).

^{5/} Id.

D. Avoided Costs

16 The Commission's Notice asks whether it would be feasible and beneficial for the utilities to transparently report their avoided costs in their IRPs, and what the complications are of doing so. ICNU agrees that it would be beneficial for utilities to report their avoided costs in the IRP, but notes that avoided costs are different depending on how they are applied.

17 The avoided cost used to establish the cost-effectiveness of energy efficiency may include the cost of avoided wholesale market transactions and fixed capacity, and can also include avoided line losses and transmission and distribution investments. Meanwhile, the avoided cost used to establish payments to qualifying facilities ("QF") should depend on the characteristics of the QF. A dispatchable QF generally allows the utility to avoid greater capacity needs than a variable QF and should be paid accordingly.^{6/} Alternatively, if a variable QF contributes to a utility's obligations under the renewable portfolio standard, its avoided cost payments should reflect this contribution. The Commission could consider numerous other factors in its development of avoided costs for QFs, including avoided transmission costs, integration costs for variable QFs, and others. A review of the Oregon Public Utility Commission's investigation into QF contracting and pricing (Docket No. UM 1610) illustrates how detailed the Commission can get on this issue.

18 ICNU certainly does not suggest that the Commission should undertake such an investigation, but uses these issues to illustrate that reporting avoided costs in an IRP, while

^{6/} See, e.g., Docket No. UE-144160, Order 04 ¶ 22 (Nov. 12, 2015) (recognizing capacity contribution from QFs).

potentially useful, will need to be carefully considered in order to ensure that the avoided costs included in an IRP are accurate and, therefore, have a useful and practical application.

E. Transmission and Distribution Modeling

19 The Commission’s Notice requested feedback on whether modeling software has advanced in a way that might allow for a more detailed analysis of transmission and distribution systems. From the perspective of ICNU, the utilities provide an adequate amount of information regarding transmission planning in their respective IRPs.

20 In fact, following FERC Order 1000, ICNU does not necessarily support the concept that regional transmission planning should even be considered in the utilities’ individual IRPs, as these issues should first be addressed through the regional transmission planning process. Additionally, ICNU’s understanding is that the utilities generally do not model local transmission projects in their IRPs, as these are outside of the scope of the system-wide analysis IRPs are intended to undertake.^{7/} Accordingly, ICNU’s position is that no rule changes requiring additional information on transmission planning are necessary at this time.

21 However, to the extent transmission planning is addressed in the IRP process, ICNU believes that it is important that non-wires solutions be considered when evaluating transmission needs. For example, the Bonneville Power Administration recently conducted a Request for Offers for non-wires solutions to avoid a transmission investment that was expected to cost in excess of \$1 billion.^{8/} Accordingly, if any new rules are to be adopted by the Commission with respect to transmission planning in the IRP, those rules should establish that

^{7/} See PSE 2015 IRP at 1-9.

⁸ See <https://www.bpa.gov/transmission/CustomerInvolvement/Non-Wire-SOA/Pages/default.aspx>

all transmission investments evaluated in a utility's IRP must be subject to a rigorous competitive bidding process, including consideration of non-wires alternatives (such as energy storage and demand response).

22 The Commission's Notice also requested feedback on whether it should allow the rule requiring smart grid reports, WAC § 480-100-505, to expire. ICNU has not derived any meaningful information in the utilities' smart grid reports, and for that reason, ICNU believes that the reports should be discontinued.

23 Finally, the Commission's Notice asks whether the utilities should be required to engage in full-scale distribution system planning in their IRPs. ICNU does not support such an expansion of the IRP. The IRP documents are already very complex and impose a great deal of cost on the utilities to complete (costs ultimately borne by ratepayers). Expanding the IRP to include full-scale distribution planning would add a great deal of expense for little apparent benefit, as it would be impractical for parties to review and evaluate each and every distribution improvement considered by a utility. From ICNU's perspective, a better venue to review the appropriateness of utilities' distribution planning is through a general rate case, where all of a utility's distribution investments and its procedures evaluating those investments can be subject to prudence review.

F. Flexible Resource Modeling

24 The Commission's Notice asks whether greater analytical effort should be undertaken to evaluate flexible resource modeling in utilities' IRPs. ICNU believes that the information presented in the IRP currently is sufficient to evaluate flexible resource needs and

that no rulemaking change is necessary to define what information the utilities must present with respect to flexible resource modeling.

25

Notwithstanding, ICNU is of the opinion that utilities that are part of the Energy Imbalance Market (“EIM”) should place greater emphasis on the requirements of the EIM when establishing flexible resource needs. For example, under section of 10.3.2.1 of the California Independent System Operator’s Tariff, each participating EIM balancing area is required to pass a Flexible Ramp Sufficiency Test prior to the start of each hour. When determining how much flexible resource capacity is needed in an IRP, the utilities’ analysis should consider how much flexible capacity is needed to pass the Flexible Ramp Sufficiency Test with a reasonable degree of statistical confidence. Such an approach would help to ensure that utilities are satisfying the requirements of the EIM, with the goal of ensuring utilities do not build unnecessary flexible capacity.

G. Procedural Improvements

26

The Commission’s Notice asks whether it should clarify its treatment of confidential information in IRP and RFP dockets. In PSE 2015 IRP, ICNU requested confidential information from the utility, which necessitated the negotiation of a confidentiality and non-disclosure agreement. PSE was responsive to ICNU’s needs and engaged in good faith to facilitate the exchange of confidential information. Nevertheless, it seems to place unnecessary time and resource burdens on both stakeholders and the utility to require the negotiation of an individually tailored confidentiality agreement anytime a stakeholder wishes to review confidential information developed in the IRP process. IRPs are important documents that often form the basis for significant resource acquisition decisions and, therefore, can

ultimately have material impacts on customer costs. It is crucial, then, that stakeholders have access to all relevant information that forms the basis for the utility's action plan.

27 ICNU recognizes that the Washington Administrative Procedure Act (“APA”) authorizes administrative agencies, including the Commission, to issue protective orders in adjudicative proceedings, and the Commission historically has not treated IRP dockets as adjudicative proceedings.^{9/} While ICNU does not necessarily accept that the APA limits the Commission's ability to issue protective orders only in adjudicative proceedings, to avoid this statutory ambiguity, ICNU recommends that each utility develop a standard confidentiality agreement that can govern the exchange of information in IRP proceedings. Attached to these Comments is the confidentiality agreement ICNU executed with PSE for PSE's 2015 IRP (“Attachment A”), which could serve as a template for a standardized agreement.

28 The disclosure of confidential information in the RFP process is more complicated because much of it involves information that is proprietary to the bidding party, and disclosure to other bidding parties would place these parties at a competitive disadvantage. Disclosure of such information, however, is necessary to ensure that the RFP was conducted fairly and impartially. Thus, ICNU recommends that the Commission's rules provide that confidential information provided in the RFP process must be made available, under a protective order, to Commission Staff and non-bidding parties for use in later ratemaking proceedings where the utility seeks cost recovery for the resource selected in the RFP. Additionally, the rules should allow each bidder to have access to its own confidential bid scoring information.

^{9/} RCW 34.05.446.

III. CONCLUSION

29

ICNU appreciates the opportunity to provide comments in this proceeding. As the Commission recognizes in its Notice, rapid technological change is making the IRP process more complex and more important and, therefore, the timing of the Commission's rulemaking is appropriate. ICNU looks forward to participating in subsequent phases of this proceeding.

Dated this 2nd day of November, 2016.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Tyler C. Pepple

Tyler C. Pepple

Davison Van Cleve, P.C.

333 S.W. Taylor, Suite 400

Portland, OR 97204

Phone: (503) 241-7242

Facsimile: (503) 241-8160

tcp@dvclaw.com

Of Attorneys for the Industrial

Customers of Northwest Utilities

/s/ Bradley G. Mullins

Bradley G. Mullins

Consultant, Energy & Utilities

333 S.W. Taylor, Suite 400

Portland, OR 97204

Phone: (503) 954-2852

brmullins@mwanalytics.com