February 28, 2020

Mark Johnson
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Washington Utilities and Transportation Commission
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RE: Comments of Renewable Northwest, Docket UE-191023
Utilities and Transportation Commission's January 15, 2020, Notice of Opportunity to File Written Comments Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act.

I. INTRODUCTION

Renewable Northwest thanks the Washington Utilities and Transportation Commission ("the UTC" or "the Commission") for this opportunity to comment in response to the Commission's February 6, 2020, January 15, 2020, Notice of Opportunity ("Notice") to File Written Comments Relating to Clean Energy Implementation Plans ("CEIPs") and Compliance with the Clean Energy Transformation Act ("CETA").

In these comments, we address many of the questions posed by the Notice, with particular attention to issues relating to resource adequacy, processes that might affect resource decisions, and renewable resources in general. Broadly speaking, we recommend preparing rules that ensure investor-owned utilities (as shorthand below, just "utilities") remain on track to meet their compliance obligations while leaving some room for utility innovation and for additional future granularity through Commission guidance and orders. Both renewable resource economics and the increasing potential of non-emitting resource mixes to meet system needs counsel in favor of both careful rulemaking and flexible rules regarding CEIPs, and Renewable Northwest appreciates the thoughtfulness already evident in the questions presented in the Notice.

Finally, we thank the Commission and Commission staff for their efforts to coordinate several simultaneous interrelated processes to implement CETA. The work is complex but important, and we appreciate the Commission's management and coordination. As always, we look forward to continued participation in these processes.

II. COMMENTS

Renewable Northwest has structured the comments below in response to the prompts presented in the Notice.

A. Clean Energy Implementation Plans (CEIP)

1. CETA stresses the need to maintain system reliability and resource adequacy. RCW 19.405.060(1)(b)(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' resource adequacy requirements are often expressed in terms of meeting a certain target loss-of-load probability ("LOLP") or loss-of-load expectation ("LOLE"). One common and useful tool for providing a resource or resource mix's contribution to meeting such a target is known as effective load carrying capability ("ELCC"), which at a high level represents the difference in a portfolio's probability of meeting the utility's target across a given time frame with versus without a certain resource or resource mix.

Maintaining resource adequacy is a key utility requirement in this time of energy system transformation, and thankfully stakeholders have recourse to increasingly sophisticated tools such as ELCC to determine how new, dynamic resource mixes may help them meet this requirement. To that end, utilities should provide detailed information on the resource mixes that they plan to use to meet their system reliability and resource adequacy obligations, and should break out information regarding the contributions of different components of their resource mixes. Because resource adequacy is to some extent a regional as well as a utility-specific issue, the Commission may wish to consider establishing some rule language to ensure consistency in how utilities address resource adequacy in their CEIPs.

Importantly, however, any rules governing utilities' resource adequacy reporting requirements as part of their CEIPs should be written with sufficient flexibility to capture the potential additive benefits of specific resource combinations above and beyond the expected contributions of the individual resources that are part of those combinations. As a simple example, a hybrid solar-plus-storage project may have a greater contribution to resource adequacy than standalone solar and standalone storage. More complex resource mixes are also increasingly being recognized for their potential benefits when operated as "clean energy portfolios" or hybrid

projects, as opposed to standalone resources.[1] Efforts to capture the reliability benefits of individual variable resources often undercount these resources' contributions to achieving resource adequacy as part of a dynamic mix.

B. 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?

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?

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?

Renewable Northwests's comments on this question are limited to targets for renewable energy.

Regarding cumulative versus annual renewable energy targets, annual targets make sense with the caveat that the targets would ideally align with system needs and potential procurements identified in a utility's integrated resource plan ("IRP"), so annual targets may not present a perfectly smooth glide path.

Percentage of sales *supplied* to customers from non-emitting generation and renewable resources is an appropriate metric for determining interim targets. Percentage of sales *generated* would be a less reliable metric, as it would not adequately account for the possibility of line losses between generation to delivery.

It would be appropriate to establish four-year interim targets both from now to 2030 and from 2030 to 2045 in order to align targets with CEIP timelines.

[1] *See*, *e.g.*, Rocky Mountain Institute, *The Growing Market for Clean Energy Portfolios* (2019), *available at* https://rmi.org/insight/clean-energy-portfolios-pipelines-and-plants/

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?

The ultimate standards against which utilities' CEIPs should be measured are standards established under RCW 19.405.040(1) and 19.405.050(1). If the Commission finds that a CEIP is not reasonably calculated to meet those standards, it would be appropriate for the Commission to impose conditions requiring more stringent targets. Ideally the rules would allow the Commission significant latitude to make such a finding.

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

Renewable Northwest has no comment on this question at this time, but looks forward to reviewing responses from other parties.

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

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?

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))?

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

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?

ii. How should the utility consider and account for the Energy Independence Act renewable targets, as referenced in RCW 19.285.040, and nonemitting resources, as referenced in RCW 19.405.040(1)(a)(ii), when calculating the utility's renewable target under CETA?

Renewable Northwest's comments on this question are limited to renewable energy.

A utility's CEIP should include targets featuring a glide path to its 2030 compliance obligation and its 2045 compliance obligation. From now to 2030, it would be appropriate to include more detailed information regarding the glide path to 2030, given greater certainty around the attributes of available resources in the near term. At the same time, it is appropriate to begin considering a glide path to 2045 as well to ensure that near-term resource decisions will contribute to utilities' ultimate compliance obligations.

As to accounting for Energy Independence Act ("EIA") obligations and non-emitting resources under RCW 19.405.040(1)(a)(ii), utilities should break these values out when calculating and reporting their renewable targets so parties have the opportunity to understand and respond as part of the stakeholder process around CEIPs.

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

CEIP provisions relating to the acquisition of capacity resources would ideally align with capacity needs and potential procurements identified in a utility's IRP. Including time ranges for the acquisition of capacity resources in utility CEIPs that are consistent with IRP findings makes sense; strict deadlines likely do not, as any number of factors could support timing changes as modeling does not always align with real-world circumstances.

C. 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?

Renewable Northwest notes only that the Commission need not start from scratch on this issue, as there are many thoughtful and thoroughly vetted resources available explaining principles of equity and inclusion as applied to technical processes; common elements include opportunities for meaningful participation from the initiation to the conclusion of a process. Renewable Northwest defers to other stakeholders who will likely present more tailored and detailed responses to this question.

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.

Renewable Northwest has no comment on this question at this time, but looks forward to reviewing responses from other parties.

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.

A requirement for a utility to file a draft CEIP would be useful if the plan were to be litigated, as litigation outcomes are most informed and robust when built upon a more thorough record.

D. 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?

Yes, Commission rules should describe the level and frequency of reporting for demonstrating compliance with RCW 19.405.030, 040, and 050.

11. Regarding the frequency of filings:

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

b. Does or should the frequency of the filings depend on the existence of a rate plan?

Yes, utilities should regularly file reports demonstrating their progress toward meeting compliance metrics. The frequency of the filings should not depend on the existence of a rate plan.

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?

Renewable Northwest recommends that the Commission require utilities both to attest to the elimination of coal-fired resources from their Washington-specific allocations of electricity beginning in 2026 and to report on the actual resource mix that each utility is using to serve Washington customers as reflected in the rates paid by those customers.

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?

Renewable Northwest has no comment on this question at this time.

E. Deferral of Major Projects under RCW 80.28.410

Renewable Northwest has no comment on questions 14 and 15 at this time.

F. 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.

Renewable Northwest recommends that the Commission set forth in rules the process and standards by which utilities may be able to obtain penalty waivers. RCW 19.405.090(9) provides that "the commission must determine compliance with the requirements of this chapter" relating to penalties and waivers. Rather than wait to conduct such determination on a case-by-case basis, the Commission has the opportunity now to establish by rule both what a utility must show to qualify for a waiver and how the Commission and stakeholders will have the opportunity to vet and potentially challenge a utility's request for a waiver. A thorough understanding of the potential consequences of non-compliance will help to ensure a robust near-term process to attain compliance with the standards of RCW 19.405.040(1) and 19.405.050(1).

G. Equitable Distribution of Benefits

17. RCW 19.405.040(8) states:
In complying with this section, an electric utility must, consistent with the requirements of RCW 19.280.030 and 19.405.140, ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.

> ***a. Please provide a list of costs and benefits (e.g., public health, pollution) that the Commission should consider when determining a utility's compliance with RCW 19.405.040(8).***
>
> ***b. Please provide a list of which geographic areas, populations, customer demographics, or other factors the Commission should consider when determining a utility's compliance with RCW 19.405.040(8).***

Renewable Northwest offers a non-exclusive list of some costs and benefits for consideration. Costs include public health, pollution, downstream climate impacts, rates (including energy burden), and physical infrastructure (for example, infrastructure affecting home values). Benefits include public health, avoided pollution, avoided climate impacts, rate reductions, access to wealth (e.g. direct economic participation in the clean energy transformation), and access to customer choice and customer-sited resources. Renewable Northwest defers to other stakeholders on the question of which geographic areas, populations, customer demographics, or other factors the Commission should consider.

18. In the Commission's IRP rulemaking in Docket UE-190698, many stakeholders commented that the Commission should determine compliance with RCW 19.405.040(8) as part of the CEIP process. If the Commission were to do so, what types of guidance on RCW 19.405.040(8) compliance should the Commission provide in its CEIP rules? If the Commission were to provide guidance on RCW 19.405.040(8) compliance in a form other than rules (e.g., an interpretive and policy statement), what type of guidance should the Commission provide ? Please be as specific as possible in your responses.

Renewable Northwest supports the development of rules relating to demonstrating compliance with RCW 19.405.040(8) in a CEIP. We recommend that any such rules be drafted broadly to allow for greater specification through policy statements or Commission orders that are more susceptible to change and evolution as the Commission, utilities, and other stakeholders gain experience with the interplay between equity and other CETA requirements.

19. Should a utility's demonstration of compliance with the requirements in RCW 19.405.040(8) include qualitative data, quantitative data, or both? Please explain your response. If you recommend qualitative data, which of the following approaches for approximating hard-to-quantify impacts are most appropriate: (a) service territory-specific studies; (b) studies from other service territories; (c) proxies; (d) alternative thresholds; or (e) or another approach? Does your response depend on a particular factual scenario? If so, please describe the scenario and explain why the approach you recommend is best suited for that scenario.

Renewable Northwest has no comment on this question at this time, but looks forward to reviewing responses from other parties.

20. Please provide any existing data sources or methodologies of which you are aware for quantifying non-energy costs and benefits, and other equity-related impacts.

Renewable Northwest has no comment on this question at this time, but looks forward to reviewing responses from other parties.

21. How should the Commission interpret RCW 19.405.060(1)(c)(iii)? How are the requirements in that statute different than the requirements in RCW 19.405.040(8)?

Renewable Northwest has no comment on this question at this time, but looks forward to reviewing responses from other parties.

H. 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.

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

Renewable Northwest recommends that the Commission standardize its CBR rules so that utilities apply the same methodology to determine weather-adjusted sales revenues. We do not have a specific recommendation on which methodology to use, but look forward to engagement with the utilities and other stakeholders to determine a robust methodology that works for all parties.

By definition, if utilities are using different weather normalization methods, and that weather normalization methodology informs their incremental cost calculations, then their methodology for calculating incremental cost will not be consistent.

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?***
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> ***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?***

The Commission should determine a utility's compliance based on actual data at the conclusion of a four-year period, not based on forecasts or projections. Both the economics of renewable resources and our understanding of how variable resources can interact in dynamic portfolios to meet system needs are still rapidly evolving. Against that backdrop, and given utilities' obligations relating to reliability and risk, forecasts and projections are likely to overstate possible costs and understate possible benefits related to compliance. As a result, allowing incremental cost calculations based on forecasted rather than actual costs may well end up both delaying Washington's path toward achieving its CETA targets and causing additional administrative hurdles for utilities and regulators.

Renewable Northwest recommends determining compliance based on actual data to avoid the need for a true-up mechanism.

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?

The Commission should ensure that utilities prepare a reliable baseline scenario that accurately demonstrates the costs that the utility would have taken on as part of a pre-CETA planning and procurement process based on traditional lowest reasonable cost principles plus the

Commission's requirement that utilities account for the social cost of carbon. The differential between the pre-CETA baseline scenario and actual costs resulting from post-CETA planning and procurement may indicate the incremental cost of compliance. It is worth noting that such a differential may well be negative; it is possible that CETA targets will incent lower-cost utility decisions that they would not have considered absent their CETA obligations.

Renewable Northwest looks forward to reviewing any proposals from other stakeholders that may offer additional granularity.

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?

Renewable Northwest has no comment on this question at this time.

I. Cost information within the CEIP

Renewable Northwest has no comment on questions 26 through 29 at this time.

III. CONCLUSION

Renewable Northwest thanks the Commission for its consideration of these comments. We look forward to continued engagement in this rulemaking and the remainder of the Clean Energy Transformation Act implementation process.

Respectfully submitted this 28th day of February, 2020,

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