

Service Date: September 27, 2024



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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September 27, 2024

NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS
(By Tuesday, October 8, 2024)

NOTICE OF TECHNICAL CONFERENCES
(Set for October 11, 2024, October 29, 2024, and December 3, 2024, at 8 a.m.)

Re: Rulemaking required to implement ESHB 1589,
Docket U-240281

TO ALL INTERESTED PERSONS:

On May 10, 2024, the Washington Utilities and Transportation Commission (Commission) filed with the Code Reviser a Preproposal Statement of Inquiry (CR-101) to engage in a Commission rulemaking required to implement ESHB 1589 (Chapter 351, Laws of 2024). The Commission filed the CR-101 under Docket U-240281.

The state legislature enacted ESHB 1589, and directed the Commission to adopt rules by July 1, 2025, to implement consolidated planning requirements for large combination utilities that allow for integrated system plans that may satisfy requirements for existing statutorily required plans. The legislature also directed the Commission to adopt by rule a cost test for emissions reduction measures achieved by large combination utilities to comply with state clean energy and climate policies.

RCW 80.86.020(10) directs the Commission to adopt by rule a cost test for emissions reduction measures achieved by large combination utilities to comply with state clean energy and climate policies. The statute further directs large combination utilities to use the test for the purpose of determining the lowest reasonable cost of decarbonization and electrification measures in integrated system plans, at the portfolio level, and for any other purpose determined by the Commission by rule.

To support the development of the cost test, the Commission will follow the process and principles described in the National Standard Practice Manual For Benefit-Cost Analysis of Distributed Energy Resources (NSPM or manual).¹ The NSPM serves as economically sound and policy-neutral guidance on conducting benefit-cost analysis for distributed energy resources (DERs), and its concepts and guidance are applicable more broadly to all resources.

The CR-101, as filed with the Code Reviser, is available for inspection on the Commission's website at <https://www.utc.wa.gov/casedocket/2024/240281/docsets>. If you are unable to access the Commission's web page and would like an electronic copy of the CR-101 emailed to you, please contact the Records Center at (360) 664-1234.

QUESTIONS FOR CONSIDERATION

The Commission anticipates several future opportunities to file written comments regarding the development of the cost test. To inform the first Technical Conference (detailed further below) and aide the Commission with the development of the cost test, interested persons are invited to file written comments by October 4, addressing the following questions:

1. Please refer to Staff's [straw proposal](#) posted in Docket UE-210804 on November 7, 2022.
 - a. Which elements of the straw proposal are appropriate for use in the cost test as required in RCW 80.86?
2. RCW 80.86.020(10) states that the cost test should be applied to "emission reduction measures."
 - a. Which utility resources qualify as emission reduction measures? Given the breadth of the integrated system planning (ISP) planning requirements in RCW 80.86, and the fact that most utility resources either emit emissions or reduce emissions, are there any utility resources that do not qualify as emission reduction resources?
3. RCW 80.86.020(10) states that the "cost test must be used by large combination utilities under this chapter for the purpose of determining the lowest reasonable cost of decarbonization and electrification measures in integrated system plans."
 - a. Given the breadth of the ISP planning requirements in RCW 80.86, should the cost test apply to measures and resources that are not decarbonization or electrification measures?

¹ National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources by National Efficiency Screening Project, August 2020.

4. RCW 80.86.020(10) states that the “cost test must be used... for the purpose of determining the lowest reasonable cost... at the portfolio level.”
 - a. Does this imply that the cost test should not be applied at a more detailed level than portfolio level?
 - b. If so, should there be any standard for assessing costs and benefits of utility resources or measures in more detail than the portfolio level?
 - c. If so, what should that standard be?
 - d. If so, at what level should that standard be applied?
5. RCW 80.86.020 requires the ISP to identify or implement cost-effective resources in several ways, including achieving all cost-effective electrification of end uses, identifying the utility’s 10-year cost-effectiveness conservation potential, and identifying the potential cost-effective demand and load response programs. Further, cost-effective is defined as “a project or resources that is, or is forecast to (a) be reliable and available within the time it is needed; and (b) reduce greenhouse gas emissions and meet or reduce the energy demand or supply an equivalent level of energy service to the intended customers at an estimated long-term incremental system cost no greater than that of the least-cost similarly reliable and available alternative project or resource, or any combination thereof...”
 - a. How does the requirement to identify or implement cost-effective resources affect or overlap with the cost test?
6. The draft ISP rules include a requirement that the ISP “must include an analysis and summary of the long-term avoided cost estimate for energy, capacity, transmission, distribution, and greenhouse gas emissions costs.”
 - a. Should these avoided costs be applied in the cost test? If so, how?
 - b. Should these avoided costs be applied in determining whether a project, program, or resource is cost-effective? If so, how?

WRITTEN COMMENTS

Written comments on the draft rules, pursuant to WAC 480-07-250(3), must be submitted in electronic form, specifically in searchable .pdf format (Adobe Acrobat or comparable software). As provided in WAC 480-07-140(5), those comments must be submitted via the Commission’s web portal at www.utc.wa.gov/e-filing. If you are unable to submit documents via the portal, you may submit your comments by email to the Commission’s Records Center at records@utc.wa.gov or by mailing or delivering an electronic copy to the Commission’s Records Center on a flash

drive, DVD, or compact disc that includes the filed document(s). Comment submissions should include:

- The docket number of this proceeding (Docket U-240281).
- The commenting party's name.
- The title and date of the comment or comments.

The Commission will post on its web site all comments that are provided in electronic format. The web site is located at <https://www.utc.wa.gov/casedocket/2024/240281/docsets>.

If you are unable to file your comments electronically the Commission will accept a paper document. If you have questions regarding this rulemaking, you may contact Staff lead Payton Swinford at (360) 489-4044, or by email at Payton.Swinford@utc.wa.gov.

MEETING PARTICIPATION

In addition to filing written comments, the Commission invites interested persons to attend a series of three technical conferences on **October 11th, October 29th, and December 3rd, 2024, each beginning at 8 a.m.**

The expected topic for each technical conference is presented below. The exact content of each technical conference might be modified based on input from interested persons and developments in the docket.

1. Technical Conference 1. This technical conference will provide an overview of the NSPM, including the principles and key steps for developing a jurisdictional cost-test, its application to the full range of utility resources and how it can be used to comply with RCW 80.86. This technical conference will also summarize Staff's [straw proposal](#) for a UTC jurisdictional specific cost-effectiveness test for DERs as posted in Docket UE-210804 and the elements that can be applied to the RCW 80.86 cost test. The identification of the utility resource types that qualify as emission reduction measures, decarbonization, and electrification measures will also be covered. The technical conference will also walk through how the requirements for identifying and implementing cost-effective resources in the ISP rules affect the cost test.
2. Technical Conference 2. This technical conference is tentatively planned to focus on how the cost test will be used to determine the lowest reasonable cost of decarbonization measures as defined in RCW 80.86.010. This technical conference will discuss how the cost test can be used in the context of integrated system planning, building off the current integrated resource planning practices in use by large combination utilities. This technical conference will also include a discussion of optimization of both electric and gas emission reduction measures and associated analytical techniques such as levelized costs, carbon abatement curves, and modeling techniques. This technical conference will also

review the key impacts that should be included in the cost test, including those that are hard to quantify and qualitative impacts. A detailed outline of the draft cost test rules will be presented at this technical conference.

3. Technical Conference 3. The cost test rule proposal will be presented at this technical conference. This technical conference will provide for verbal input from interested persons on all aspects of the cost test rule proposal.

At the technical conference, Commission Staff will review and discuss comments with the interested persons. Interested persons may participate in the meeting via Zoom by calling (253) 215-8782. To participate in the meeting using Zoom on a computer or mobile device, [click here to join the meeting](#).² The virtual meeting passcode is 654182, and the Meeting ID is 829 3973 2962. If you wish to be placed on the interested persons contact list, please contact the Commission's Records Center at records@utc.wa.gov.

Interested persons will have further opportunity for comment. Information about the schedule and other aspects of the rulemaking, including comments, will be posted on the Commission's website as it becomes available. If you wish to receive further information on this rulemaking you may:

- Call the Commission's Records Center at (360) 664-1139
- Email the Commission at records@utc.wa.gov
- Mail written comments to the address below

When contacting the Commission, please refer to Docket U-240281 to ensure that you are placed on the appropriate service list. The Commission's mailing address is:

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop S.E.
Lacey, WA 98503

NOTICE

If you do not want to comment now, but do want to receive future information about this rulemaking, please notify the Executive Director and Secretary in one of the ways

² <https://utc-wa-gov.zoom.us/j/82939732962?pwd=Z4NiA9Gjdj8zcORiugGrX03BYxRt9h.1>

described above and ask to be included on the mailing list for Docket U-240281. If you do not do this, you might not receive further information about this rulemaking.

JEFF KILLIP
Executive Director and Secretary