

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

REVIEW OF PURPA STANDARDS
IN THE ENERGY INDEPENDENCE
AND SECURITY ACT OF 2007

DOCKET NO. U-090222

THIRD COMMENTS OF PUBLIC COUNSEL

October 16, 2009

I. INTRODUCTION

1. Pursuant to the Commission's Notice of Opportunity to File Written Comments of September 17, 2009 (Notice), the Public Counsel Section of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments. The Notice invited feedback on a discussion draft rule relating to PURPA Standard 18(A) (Consideration of Smart Grid Investments) that would require electric utilities to submit reports to the Commission on their evaluation and implementation of smart grid technology.
2. At the public hearing on August 13, 2009, Public Counsel offered support for Commission Staff's recommendation to develop a rule requiring electric utilities to report to the Commission regarding evaluation and implementation of smart grid technologies. Along with this support, Public Counsel offered the following recommendations:
 - (1) Prior to implementing a reporting rule, the Commission should attempt to define the terms "smart grid" and "smart grid technologies," being mindful of any existing and forthcoming federal guidance;

- (2) The scope and content of any reporting requirements should be consistent among utilities;
and;
- (3) Any reporting requirement should be for information gathering purposes only, and should not be used in to seek Commission approval of smart grid investments.

The following comments and suggested amendments to the Discussion Draft Rule primarily address these recommendations and the extent to which they have been incorporated into the Draft Rule.

II. COMMENTS AND AMENDMENTS

A. DRAFT WAC 480-100-XXX(2): DEFINITIONS.

3. Public Counsel is pleased to see that the Draft Rule incorporates a definition for “smart grid technologies” in section 2(b) and “smart grid functions” in section 2(c). This will enable all parties to have a clear and common understanding of what constitutes smart grid technologies for reporting purposes. However, we recommend that two changes should be made to this section. First, to recognize that smart grid technology is still evolving, the Commission should consider adding language stating that the definition provided in the rule is subject to change pursuant to any forthcoming federal or state definitions of “smart grid technology.”
4. Second, the draft language in section 2(b) that defines “smart grid technologies” includes a reference to technology that will “reduce the operating costs of electrical transmission and distribution systems by enabling one or more smart grid functions.” Public Counsel believes that this reference should be expanded to technology that is intended to improve overall cost-effectiveness in addition to reducing operating costs. Because there may be a distinction between reducing operating costs of electrical and transmission distribution systems and

improving overall cost-effectiveness, we recommend that the rule include two separate considerations in defining smart grid technologies. Section 2(b) could be amended to read:

(b) “Smart grid technologies” means any technology intended to improve the reliability or efficiency, overall cost-effectiveness, or to reduce the operating costs, of electrical transmission and distribution systems by enabling one or more smart grid functions. Smart grid technologies include, without limitation, measurement devices, communication equipment, information processing equipment and software, and control devices. The definition and qualifications for smart grid technologies, for purposes of the this rule is subject to change pursuant to any forthcoming federal or state definitions of smart grid technology.

B. DRAFT WAC 480-100-XXX(3): REPORTING REQUIREMENT.

5. In regard to the reporting requirement set forth in section 3(a) of the Draft Rule, Public Counsel recommends that additional language be added stating that the reporting utility provide a copy of its report to Public Counsel at the same time it is filed with the Commission. Section 3(a) could be amended to read:

(a) Each electric utility must file with the commission a smart grid technology report no later than September 1, 2010, and a subsequent report no later than September 1 of each even numbered year thereafter through September 2016. Each electric utility must also provide a copy of this report with the Public Counsel section of the Washington Attorney General’s office concurrent with the Commission filing.

C. DRAFT WAC 480-100-XXX(4): CONTENT.

6. With respect to the content of the reports as described in section 4(a), Public Counsel recommends the following additional elements:

- Overall cost-effectiveness of smart grid technologies described in the report;

- Cost-effectiveness for the early retirement and/or replacement of existing equipment by smart grid technologies, based on the remaining depreciable life of the equipment; and,
- Overall bill impact for customers for deployment of smart grid technology.

7. Public Counsel would also recommend removing the final item in section 4(a) which allows reporting on “any other factors considered by the utility.” Such open-ended requests could have the effect of soliciting irrelevant information and/or substantially lengthening such reports. Open-ended requests could also lead to a lack of uniformity on reporting among the electric utilities.

8. Section 4(c) requests that a utility include information on any smart grid pilots undertaken by the utility in subsequent reports following the first-year report. Public Counsel would recommend that this be expanded to require utilities to provide, in their first year reports, information regarding results of any smart grid pilots completed within five years prior to implementation of the Draft Rule. This would enable the Commission to not only interpret the results of recent smart grid pilots, but also utilize historical information on utility smart grid efforts and results. Incorporating the above recommendations, section (4) could be modified to read¹:

(4) Content. At a minimum, the smart grid technology report must include:

- (a) A description of the smart grid technologies the utility has considered for integration into its system, and the utility’s evaluation of such technologies, which shall contain details as to the:
 - i. Goal or purpose of the smart grid technologies described in the report.

¹ Please note that due to the three additional proposed amendments, the numbering shown in 4(a) is different than the numbering in the proposed draft rule.

- ii. Total costs of the deployment and use of smart grid technologies including meter or other equipment costs, installation costs, and any incremental administration costs including data storage, processing and billing systems;
 - iii. Overall cost-effectiveness of smart grid technologies described in the report;
 - iv. Cost-effectiveness for the early retirement/replacement of existing equipment by smart grid technologies, based on the remaining depreciable life of the equipment;
 - v. Operational savings associated with meter reading or other utility functions;
 - vi. Effects on system capability to meet or modify energy or peak loads;
 - vii. Effects on service reliability including storm damage response and recovery, outage frequency and duration and voltage quality;
 - viii. Effects on integration of new utility loads, such as recharging batteries in electrically powered vehicles;
 - ix. Cyber and physical security of utility operational information;
 - x. Cyber and physical security of customer information and effects, if any, on existing consumer protection policies.
 - xi. Interoperability and upgradability of technology and compliance with applicable national standards;
 - xii. Customer acceptance and behavioral response;
 - xiii. Tariff and rate design changes necessary to implement the technology;
 - xiv. Overall bill impact for customers for deployment of smart grid technology;
 - xv. Non-quantifiable societal benefits, if any;
 - xvi. Economic considerations recognizing the above-listed factors; and
 - ~~xvii. Any other factors considered by the utility.~~
- (b) Identification of any smart grid technologies that may be cost-effective and available for the utility and its customers during the subsequent 10-year period.
 - (c) A description of the utility's plans and timeline for implementing any smart grid technologies during the two years following submission of the report.
 - (d) After the first report, all subsequent reports should include information on the utility's progress on any smart grid technologies scheduled for implementation as stated in its previously filed reports and any smart grid pilot the utility has undertaken.

- (e) Included in the first report should be a description of all smart grid technology pilots undertaken within five years of the implementation of this rule, as well any subsequent studies or reports on the results of any such pilot projects.

D. DRAFT WAC 480-100-XXX(5).

9. Public Counsel does not support inclusion of section (5) of the draft rule. As previously stated, one of Public Counsel’s key concerns in regard to a smart grid reporting rule is that the reports are used for information gathering purposes only and not as a means for utilities to gain pre-approval of smart grid investments. Recovery of such expenses should still require proof by the utility that its investment was prudent, through evidence offered in a general rate case. Public Counsel does not believe that smart grid reports are the appropriate venue for a utility to make policy recommendations and/or offer support for any particular regulatory treatment of smart grid technology costs.

E. DRAFT WAC 480-100-XXX(7):

10. Public Counsel is also concerned with section (7) of the Draft Rule which the reads:

“The Commission may consider the information reported in the smart grid technology report when it evaluates, in rate and other appropriate proceedings, the performance of the utility and its investments in transmission, distribution and metering infrastructure.”

11. As stated previously, Public Counsel believes that any information that is included in smart grid technology reports should not be used a means to receive pre-approval from the Commission for smart grid investments. To this end, Public Counsel respectfully requests that the Commission, in its review of smart grid technology reports, not formally approve or reject these, but rather acknowledge receipt, similar to its treatment of integrated resource plans submitted by electric and natural gas utilities.

III. CONCLUSION

12. Public Counsel appreciates the opportunity to present these comments and looks forward to participating further in this proceeding.