U-240281

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Memorandum

To: *Jeff Killip, Executive Director and Secretary,* Washington Utilities and Transportation Commission

From: Tom Kraemer[1]/Third Act Washington and Washington Clean Energy Coalition

Date: October 14, 2024

Subject: Comments on ESHB 1589 Rulemaking, Docket U-240281

Thank you for the opportunity to comment on the Commission's draft rule language for implementing ESHB 1589 (RCW 80.86), as requested by the Commission in its Amended Notice of Opportunity to File Written Comments of September 20, 2024. The Commission requested comments on fourteen specific questions. We provide comments on five of them, as well as a general comment below.

General Comment

The purpose of this rulemaking is to implement the Washington Decarbonization Act for Large Combination Utilities (codified as RCW 80.86). The primary purpose of the Decarbonization Act is to reduce carbon emissions created by burning fossil fuels. The first-listed intent of the legislature in passing the Decarbonization Act is stated in Section 1 (5) near the top of the Decarbonization Act: "…to transition customers off the direct use of fossil fuels…" The direct use of fossil fuels by customers means distribution of fossil gas.

The purpose of integrating the gas and electric systems is to facilitate the transition away from gas to electricity for heating purposes. It is not to streamline the utilities' business for the purpose of better customer service, as laudable as this goal is. Nor is it only to make cleaner *electricity*. This is important to emphasize because a recent, encouragingly pro-active public meeting by the regulated utility de-emphasized transitioning off gas, relegating it to a verbal aside, that gas "may be reduced," and suggested that improved customer focus was the primary purpose of the integration. Decarbonization was only briefly mentioned as a "potential engagement topic" for the 2027 ISP, and as an input to customer and PSE goals, rather than a primary requirement.

We therefore propose the following change to clarify and emphasize the statement of purpose at the top of the rulemaking (italics indicate added words):

WAC 480-95-010 Purpose.

> The purpose of these rules is to ensure that a large combination utility meets *the energy system decarbonization and other requirements of Chapter 80.86 RCW and* the clean energy transformation standards outlined in WAC 480-100-610 ~~and the~~

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~~requirements of Chapter 80.86 RCW~~ in a timely manner and at the lowest reasonable cost. Pursuant to RCW 80.86.020(2)(a), the commission consolidates the planning requirements of electric Integrated resource plans, gas integrated resource plans, electrification of transportation plans, and clean energy implementation plans into an integrated system plan. The statutorily required contents of any plan consolidated into an integrated system plan must be met by the integrated system plan. An ISP must include all statutorily required contents of all plans consolidated into the ISP.

Question #2 Content of an ISP, long-term and implementation sections:

a. WAC 480-95-030: Please identify any issues with the draft rule language and provide recommendations to address those concerns through comments or redline edits.

The draft WAC 480-95-030 section addresses *long-term* requirements for the content of an integrated system plan (ISP).

The Decarbonization Act adds a large number of requirements for assessing a variety of energy resources and methods for achieving the goals of the Act. These are added to the many requirements of related existing statutes that are also referenced and incorporated into the Act.

Many of these new requirements seem relatively minor additions, but the net effect of all of them is to add a significant new set of requirements for detailed assessments of specific new resources. These include, among others, assessments of distributed energy resources, demand response, targeted electrification of segments of the gas system, battery and pumped energy storage, electric vehicle charging, nonpipeline alternatives for gas, including ranking all gas pipeline segments for their suitability for nonpipeline alternatives, funding for electrification readiness with low-income customer protections, and determining resource adequacy metrics.

The Act does not, however, state at what point in the planning process these assessments must occur, which leaves that to the Commission's rulemaking. They should occur, as much as possible, *before* scenario development to understand their *potential*. Scenario development can then be informed by the potential magnitudes of these inputs; knowledge of whether a given input is relatively large or small compared to forecast loads is critical to scenario development. In the past, utilities have generally not done a systematic assessment of potential new sources of renewable energy at the start of planning, but instead have built initial scenarios

on generic and readily available resources to optimize a preferred portfolio,[2] and then assessed their availability to fulfill a preferred portfolio. This approach becomes less reliable as we shift away from large, centralized generation sources to more distributed resources that are in development, or could be developed to meet clean energy and decarbonization requirements.

Consolidation and integration of the new planning assessments creates both an opportunity and a need to more thoroughly assess the potential for development of *new* resources. The listing of many new requirements for non-traditional resource assessments in the Decarbonization Act suggests that Initial planning should go beyond the focus on generic and readily available resources traditionally used in in creating integrated resource plan (IRP) scenarios. There is a trend of fewer readily available resources and greater uncertainty of fulfilling a plan built on generic resources. Putting the various required assessments for specific resources upfront will provide more realistic planning scenarios, more certainty and less risk in the utility's capacity expansion modeling. Having this information early in the planning process will not only benefit ratepayers and the general public, but also the utility by giving it upfront knowledge for deciding what new and potential resources can be developed into local capital projects vs. those requiring long-range transmission, among other benefits. This should substantially increase the likelihood of successful and timely plan implementation.

We have attached a suggested revision redline of the draft WAC 480-95-030 for your consideration. The redline creates a new subsection, Resource Availability Assessment, which immediately follows the Load Forecast subsection. (The redline modifies subsections (1) through (7) of the Commission's draft; subsections (8) through (19) would be unchanged, except for a numbering change.)

b. WAC 480-95-040: Please identify any issues with the draft rule language and provide recommendations to address those concerns through comments or redline edits.

We have no comments on this subsection.

Question 5. Definitions – general: Are there other definitions within the proposed rules that are missing or need to be changed? If yes, please explain.

The definition of "electrification" should be updated to include replacement of equipment directly fueled by fossil fuels with electrically driven equipment. This definition should include electrifying vehicles, and possibly other uses, as well as

[2] See PSE 2023 Electric Progress Report, Appendix D, p. D-1: "Generic resources are theoretical electric generating resources used to develop Puget Sound Energy's (PSE) long-term capacity expansion planning model."

transitioning off gas heating. We suggest the following addition as item 1) in the definition, with renumbering the two existing items as 2) and 3):

1) "Electrification" and "electrify" mean the transition of equipment directly fueled by fossil fuels to electrically driven equipment.

Question 10. Reporting and compliance: What metrics are important to include in reporting and compliance filings to demonstrate progress towards electrification and emissions reduction targets?

Suggested electrification metric: *the amount of gas supplied to customers displaced by electrification, in standard cubic feet (or therms) per year and also expressed as a percent reduction from the annual average of the emissions baseline period.*

This metric allows conversion to tons per year of avoided emissions from avoided use of gas. Since reducing emissions is the ultimate goal of the rule, this metric is preferable to a metric based on a percentage of physical infrastructure replaced or number of customers switched to electrified heating.

Suggested emissions reduction metric: *annual metric tons of carbon dioxide equivalent (CO2e) emitted, and percent reduction from emissions baseline as required by, and using the monitoring and calculation procedures in WAC 173-441, with comparison to emissions reduction targets*.

"Emissions reduction target" and "emissions baseline" are as defined in Chapter 80.86 RCW.

Question 11. Public participation: Are there missing elements, or areas that need to be changed, in WAC 480-100-655 that should be included in a public participation plan for an ISP? If yes, please explain.

WAC 480-100-655 applies only to the Clean Energy Implementation Plan for electric utilities. However, it appears to be a good model to start with for the Integrated System Plan (as it has done in practice for the utility's Integrated Resource Plans). The WAC wording should be updated to clarify that it will govern the Integrated System Plan for the combined gas and electric utilities.

WAC 480-100-655 lists various requirements with regard to advisory groups. However, there are no requirements for how advisory groups are to be formed and members selected. We suggest that language be added to require members, or the organization represented by members, to serve voluntarily without pay, advise in the public interest, and have experience or expertise appropriate for utility planning. The utility should propose a procedure for members of the public to volunteer services and be selected for advisory group issues or types of expertise as determined by the utility or the

Commission. The Commission should review the selection of advisory committee members and reserve the right to reject members selected by the utility and select alternate volunteering members.

At WAC 480-100-655 (1), after "Examples of how the utility may incorporate advisory group input include:" we suggest adding: "Planning process steps, methods (including modeling methods), sequence and timing of planning process" at the start of the list.

- We suggest adding, just after WAC 480-100-655 (1)(b), a new subsection to require an environmental protection advisory group, similar to the equity advisory group required under (1)(b): "The utility must maintain and regularly engage an external environmental advisory group to advise the utility on environmental issues including, but not limited to air and water emissions, decarbonization, public and customer health and safety, waste management, and recommended approaches for the utility's compliance with the laws and regulations governing these issues."

Question 13. Enforcement: What enforcement mechanism should the Commission consider with the emission reduction targets and other aspects of the ISP? For example, should the Commission add language in a new enforcement section language modeled after WAC 480-100-665?

Add "RCW 80.86" to the first sentence, in addition to RCW 19.405.

We suggest adding enforcement of electrification requirements according to percentage of electrification achieved (in units of gas displaced by electrification – see above comment regarding electrification metric).

ATTACHMENT – Suggested Revisions

WAC 480-95-030 Content of an integrated system plan. - Long term section, subsections (1) through (6)

(1) **Purpose.** Consistent with chapters 80.86, 80.28, 19.280, and 19.405 RCW, each large combination utility has the responsibility to identify and meet its resource needs with the lowest reasonable cost mix of conservation and efficiency, generation, distributed energy resources, and delivery system investments to ensure the utility provides energy to its customers that is clean, affordable, reliable, and equitably distributed. Chapter 80.86.050 RCW requires that greenhouse gas emissions reductions indicate progress toward achievement of emissions reduction targets identified in the integrated system plan. The emissions reduction targets must be at least as stringent as the progressive limits over time established in RCW 70A.45.020. In addition, chapter 80.86 RCW requires a large combination utility to achieve a minimum amount of conservation and energy efficiency to meet annual electric load, and achieve a minimum amount of demand response and demand flexibility to meet winter and summer peak electric demand, unless the Commission determines these minimum amounts are neither technically nor commercially feasible during the emissions reduction period. At a minimum, integrated system plans must include the components listed in this rule. Unless otherwise stated, the assessments, evaluations, and forecasts should be over an appropriate planning horizon of at least 20 years.

(2) **Load forecast.** The integrated system plan must include a range of forecasts, for at least the next 20 years, of projected customer demand that takes into account econometric data and addresses changes in the number, type, and efficiency of customer usage.

(3) Resource Availability Assessment. For use in and prior to developing scenarios and sensitivities for system modeling, quantitatively assess the availability, including the potential for constructing and acquiring the resources necessary to supply the forecast loads. The completed resource availability assessment shall be included in the ISP midway progress report.

(a) Renewable energy resources.

(i) Identify renewable resources, nonemitting electric generation, and distributed energy resources that may be acquired and evaluate how each identified resource may be expected to contribute to meeting the large combination utility's resource adequacy requirement (to meet RCW 80.86.020 (6)(d)).

(ii) Identify and assess potential new renewable resources that can be constructed by the utility (to meet WAC 480-100-620 (11)(e)), electric IRP requirements to “rely on renewable resources and energy storage, insofar as doing so is at the lowest reasonable cost”).

(iii) In order to adequately identify and assess renewable resources per (i) and (ii) above, assess the potential for all large-scale renewable energy (wind, solar and geothermal) by geography and total generation capacity development potential, that are within or in close proximity to (requiring transmission only within and for short distances outside) the utility’s service territory.

(iv) Renewable resource integration. An assessment of methods, commercially available technologies, or facilities for integrating renewable resources including, but not limited to, battery storage and pumped storage, and addressing overgeneration events, if applicable to the large combination utility's resource portfolio. The assessment may address ancillary services. (to meet RCW 80.86.020 (4)(p)).

(b) Distributed energy resources.

The integrated system plan must include assessments of a variety of distributed energy resources. These assessments must incorporate nonenergy costs and benefits not fully valued elsewhere within the integrated system plan model. Utilities must assess the effect of distributed energy resources on the large combination utility's load and operations under RCW 19.280.030 (1)(h). These assessments must meet the requirements of RCW 19.280.100. The required distributed energy resource assessments must include the following:

(i~~i~~) Conservation and demand response potential assessments – The integrated system plan must include an assessment of the commercially available conservation and efficiency resources, including demand response and load management, to achieve the conservation and energy efficiency requirements in RCW 80.86.020(4)(e) and demand response requirements of RCW 80.86.020(4)(g), as informed by the assessment for conservation potential under RCW 19.285.040 for the planning horizon consistent with subsection (2) of this section. Such an assessment may include, as appropriate, opportunities for the development of combined heat and power as an energy and capacity resource, currently employed and potential demand response and load management policies and programs, and currently employed and new policies and programs needed to obtain the conservation and efficiency resources. The value of recoverable waste heat resulting from combined heat and power must be reflected in analyses of cost effectiveness under this subsection. The results of this assessment must include the ten-year conservation potential used in calculating a biennial conservation target under chapter 480-109 WAC;

(ii) Electrification potential assessment – The integrated system plan must include an assessment of cost-effective electrification that encompasses the potential for geographically targeted electrification including, but not limited to, in overburdened communities, on gas plant that is fully depreciated or gas plant that requires accelerating depreciation pursuant to RCW 80.86.060(1) for the gas plant subject to such electrification proposal;

(iii) Energy assistance potential assessment – The integrated system plan must include distributed energy programs and mechanisms identified pursuant to RCW 19.405.120, which pertains to energy assistance and progress toward meeting energy assistance need; and

(iiiv) Other distributed energy resource potential assessments – The integrated system plan must assess other distributed energy resources that may be installed by the large combination utility or its customers including, but not limited to, energy storage, electric vehicles, and photovoltaics. Any such assessment must include the effect of distributed energy resources on the large combination utility's load and operations.

(c4) Supply-side resources.

The integrated system plan must provide an assessment and 20-year forecast of the availability of and requirements for regional supply side resources to provide electricity and gas to the large combination utility's customers and to meet, as applicable, the requirements of chapter 19.405 RCW and the state's greenhouse gas emissions reduction limits in RCW 70A.45.020.

The regional supply side resource assessment and forecast must:

(i) include a wide range of commercially available generating and nonconventional resources, including ancillary service technologies, and

(ii) assess commercially available supply side resources, including a comparison of the benefits and risks of purchasing electricity or gas or building new resources.

(45) Delivery System assessment. The integrated system plan must provide an assessment and 20-year forecast of the availability of and requirements for regional delivery system capacity to provide and deliver electricity and gas to the large combination utility's customers and to meet, as applicable, the requirements of chapter 19.405 RCW and the state's greenhouse gas emissions reduction limits in RCW 70A.45.020.

(a) The delivery system assessment must

(i) identify the large combination utility's expected needs to acquire new long-term firm rights, develop new, or expand or upgrade existing, delivery system facilities consistent with the requirements of RCW 80.60.020 and reliability standards,

(ii) take into account opportunities to make more effective use of existing delivery facility capacity through improved delivery system operating practices, conservation and efficiency resources, distributed energy resources, demand response, grid modernization, nonwires solutions and nonpipeline alternatives, and other programs if applicable,

(iii) include the large combination utility's existing transmission capabilities, and future resource needs during the planning horizon, including identification of facilities necessary to meet future transmission needs, and

(iv) identify the general location and extent of transfer capability limitations on its transmission network that may affect the future siting of resources.

(b) Nonpipeline alternatives. The integrated system plan must assess nonpipeline alternatives, including geographically targeted electrification and demand response, as an

alternative to replacing aging gas infrastructure or expanded gas capacity. Assessments must involve, at a minimum,

(i) Identifying all known and planned gas infrastructure projects, including those without a fully defined scope or cost estimate, for at least the 20 years following the filing;

(ii) Estimating programmatic expenses of maintaining that portion of the gas system for at least the 10 years following the filing; and

(iii) Ranking all gas pipeline segments for their suitability for nonpipeline alternatives.

~~(6) Renewable resource integration. An assessment of methods, commercially available technologies, or facilities for integrating renewable resources including, but not limited to, battery storage and pumped storage, and addressing overgeneration events, if applicable to the large combination utility's resource portfolio. The assessment may address ancillary services.~~ [Content of this subsection moved to (3)(a)(iv).]